

TRANSCRIPT OF PROCEEDINGS

In the Matter of:

NATIONAL PETROLEUM COUNCIL MEETING

Date: April 15, 1948.

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EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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	<u>Other</u>					
Pages	<u>67-68</u>	<u>Foreign steel requirements in oil industry</u>				
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

NATIONAL PETROLEUM COUNCIL MEETING

- - -

April 15, 1948

Room 5160
Interior Building
Washington, D. C.

The Council met at 10:00 o'clock a.m. in the Secretary's
Conference Room, Walter S. Hellanan, Chairman, presiding.

PRESENT:

James V. Brown, Secretary and Treasurer

H. T. Ashton

Munger T. Ball

T. H. Barton

Merle Becker

Jacob Blaustein

Paul G. Blazer X

Rush M. Blodget

William R. Boyd, Jr.

Reid Brazell

J. S. Bridwell

Bruce K. Brown

PRESENT (continued):

Russell B. Brown

H. S. M. Barnes

Howard A. Cowden

Stuart M. Crocker X

E. DeGolyer

J. C. Dennell, Jr.

Fayette B. Dow

J. Frank Drake

John Dressler

Gordon Duke

James P. Dunnigan

Louis M. Faber

J. B. Fisher

R. G. Fellis

B. C. Graves

B. I. Graves

J. Parks Gwaltney

B. A. Hardey

George A. Hill, Jr.

H. L. Hunt X

A. Jacobsen

Frank H. Lerch, Jr. X

John M. Lovejoy

B. L. Majewski

PRESENT (continued):

J. Howard Marshall

Brown L. Meece

Gleann E. Nielson

S. F. Niness

Rankin P. Peck

Joseph E. Pogue

Frank M. Porter

Walter R. Reitz

D. T. Ring

M. H. Robineau

W. S. S. Rodgers

Charles F. Roeser

W. G. Skelly

H. L. Thatcher

W. W. Vandever

L. S. Wescoat

Joseph F. White

C. R. Williams

Russell S. Williams

Robert E. Wilson

Note: Names of additional persons in attendance will be
appended.

P R O C E E D I N G S

The Chairman: Will the Council please come to order?

I will ask the Secretary to call the roll.

(Whereupon, Mr. James V. Brown, the Secretary, called the roll.)

The Chairman: Mr. Blodget, will you please rise?

Gentlemen, I want to present to the Council a new member -- Mr. Blodget, Executive Vice President of the Oil Producers Agency of California. We welcome you to the Council, Mr. Blodget.

(Whereupon, Mr. James V. Brown resumed the calling of the roll.)

The Chairman: Mr. Holman has wired that he regrets his inability to be here but has sent his able assistant, Mr. Suman, as his alternate. Mr. Suman, will you rise and take a bow as Mr. Holman's representative?

(Applause.)

(Whereupon, Mr. James V. Brown resumed the calling of the roll.)

The Chairman: I have a wire from Mr. W. Alton Jones from Mexico City: "I fully expected to be able to attend the Council meeting but delayed in Mexico; cannot be present. George Hill will be in Washington and, if agreeable to you, will represent me at the meeting."

Mr. Hill is his alternate.

(Whereupon, Mr. James V. Brown resumed the calling of the roll.)

The Chairman: Gentlemen, I desire to present a new member, Mr. Rankin P. Peck, President of the National Congress of Petroleum Retailers, of Detroit, Michigan. Will you stand?

(Applause.)

(Whereupon, Mr. James V. Brown concluded the calling of the roll.)

Mr. James V. Brown: A quorum is present.

The Chairman: As a matter of fact, gentlemen, I think this is the largest attendance of the membership of the Council we have had and we are very gratified to find this manifestation of interest from the members that come here now.

Voice: Mr. Chairman, may I ask that Mr. Faber be recorded as present. He is here and will come in.

The Chairman: Yes; and Harold Barton has come in since the reading of the roll.

Gentlemen, there has been mailed to you a copy of the minutes of the January meeting. What is your pleasure?

Mr. Wescoat: I move the adoption.

The Chairman: It has been moved by Mr. Wescoat that the minutes be approved.

Voice: Second.

The Chairman: All in favor say aye.

(General response: Aye.)

The Chairman: Contrary, no.

(No response.)

The Chairman: It is so ordered.

Gentlemen, it is a matter of regret to announce at this time that since our last meeting one of the active and very earnest members of this Council has passed away, Mr. Clyde G. Morrill, who was Executive Vice President of the Atlantic Coast Dealers Conference.

The chair desires at this time to recognize Mr. Vandever to present a resolution in respect to the passing of Mr. Morrill.

(Whereupon, the resolution above referred to was read by Mr. Vandever.)

Mr. Vandever: Gentlemen, I move the adoption of the resolution.

Voice: Second.

The Chairman: You have heard the resolution as read by Mr. Vandever, his motion to adopt, and the second, all in favor say aye.

(General response: Aye.)

The Chairman: Opposed?

(No response.)

The Chairman: It is unanimously adopted.

We will now have the report of the Secretary-Treasurer.

Mr. James V. Brown: During the first quarter of this

year our receipts have totaled \$59,180.

During that time we expended \$17,395.33. The net receipts over the disbursements during the quarter are \$41,754.67. We had a balance on hand at the beginning of the quarter of \$15,208.83.

At the end of the quarter in the bank was \$56,963.50.

We solicited from eight-nine members of this Council; seventy-one responded. That is an 80 per cent response so far. We have indications of others that will respond.

The expenditures are substantially higher than in previous quarters, which may be accounted for, in part, by the additional responsibilities that came to us at the last meeting, which involved the appointment of more than 377 individuals to various committees, which adds to the 'phone bills and supply bills, and so on.

Many of those, at least 271 appointments to the voluntary agreements committee, had to be approved by Secretary Krug. Each one had the formal approval.

The Chairman: You have heard the report of the Secretary-Treasurer, gentlemen; any remarks?

(No response.)

The Chairman: Any questions?

(No response.)

The Chairman: If not, the report will be formally received and made a part of the record.

Gentlemen, before we proceed further to the regular order of business, I want to present to the Council Mr. Max Ball, Director of the Oil and Gas Division, who has a formal statement to make to the Council at this time; and which, I am sure, we will find of interest in connection with the matters which will come before us for consideration at this meeting.

Mr. Ball: Gentlemen, this is all decidedly unusual. I hope you find it warranted.

(Whereupon, the prepared statement above referred to was read by Mr. Ball.)

The Chairman: Mr. Page, are you ready to present the report on the Military and Government Petroleum Requirements Committee?

Mr. Page: Mr. Chairman, there has been no meeting of the Military Petroleum Committee since the last National Petroleum Council.

At the last meeting of the Committee, I was requested to keep the Committee informed as to the situation, and I have done so by sending out reports to them which are based on information received from the Armed Services Petroleum Board.

The latest of these reports represents the situation as of March 31, 1948. I think I can sum it up by saying that it offers to the Military for the full fiscal year -- that is, the period ending July 1, 1948 -- as of March 31 approximately 102 million barrels.

In discussion with procurement people of the Military and the Armed Services Petroleum Board, I understand that with these offers and with the amounts now under negotiation there will be no further requests for military requirements during the remainder of this fiscal year, barring any unforeseen circumstances.

In other words, the problem for the fiscal year, as far as we know, is completed. As regards fiscal year 1949 -- that is, starting July 1 -- this year -- the Armed Services Petroleum Board has made estimates which have been sent out to members of the Military Requirements Committee.

Those estimates are based on the situation as it existed at that time, and do not take into account any increases in the military establishment. Therefore, I think it should be recognized that they represent basic figures and are subject to upward revision, on which there is no information at the present time as to how much that would be, if any.

In general, those figures indicate requirements to be, during the next fiscal year, almost identical with the actual amount of oil supplied to the military during this past fiscal year.

There are changes between products -- that is, more aviation gasoline required, less diesel oil, and less Navy special fuel volume -- but in total, volumetrically, the requirements are almost identical with the actual amount delivered to the military during this fiscal year.

There was one change which I think is worth noting. That is, that in the coming fiscal year the intention is, as I understand it, for the military to handle purchasing of products used internally within the United States which had previously been handled by the Bureau of Federal Supplies, so the actual military figures are roughly some 12 million barrels higher in comparing them with the previous ones; but, presumably, the Bureau of Federal Supply figures will be decreased by that amount.

I bring that out so that if anybody is making comparisons with the next fiscal year against the past one, they will recognize that the 12-million barrel increase is not an actual increase but merely the shifting of the procurement of those products.

So far I do not believe there is any further need for meetings of the committee, and I have not suggested any such meetings and will not do so until we are advised by the Armed Services Petroleum Board that there is some difficulty in stating the fuel volumes.

The Chairman: Mr. Page, do you desire to have the Committee remain in its present status so that it may be available for any future call?

Mr. Page: I think that would probably be advisable under the present circumstances inasmuch as there is the possibility, as we all know, of increasing requirements during the coming

fiscal year, which cannot be projected at the present time; so it is possible that a situation might arise sometime later in the year where some action on the part of the committee or some study by them might become necessary.

The Chairman: Colonel Drake, this is yours too.

Mr. Drake: You will recall that we had to do a lot of work this last July and August, last July to September, a little missionary work.

I think it might be just as well to have the committee continued. I suggest we make Mr. Page the chairman of it.

The Chairman: I am sure that Mr. Page has done a fine job of pinch-hitting, but there is no disposition on the part of the council to relieve you, Colonel Drake, of any of your responsibilities.

Mr. Drake: He is doing all the work. We might have to have a little missionary trip as we did last year.

The Chairman: Well, is it the consensus that this committee should remain in its present status? You know, under our procedure, gentlemen, these committees are all named on a temporary basis, but this would seem to be a committee which is an exception to the rule and unless there should be objection from some standpoint, I would recommend that this committee be continued with its personnel so as to be available for any call that might be made upon it.

Mr. Ball, do you have any comments?

Mr. Ball: I think that would be an excellent thing.
This committee has done a grand job.

The Chairman: Colonel Drake, do you agree?

Mr. Drake: I hope it won't be necessary to do anything; but if it is, we will take hold, of course.

The Chairman: You have heard the report of the committee, gentlemen, are there any remarks or comments?

(No response.)

The Chairman: If not, the report will be filed and the committee will remain in its present status as one of the continuing committees of the Council.

Gentlemen, we next have the report of the Liquefied Petroleum Gas Committee, Mr. W. K. Warren.

(Whereupon, the report above referred to was read by Mr. W. K. Warren.)

Mr. Warren: Gentlemen, this is quite an assignment on liquefied petroleum gasses. It covers one end of the country to the other, and it is something that we have never gotten many figures on.

It has been very difficult to get them, and, particularly with refinery operations, there is quite a large amount of LPG made at refineries, and just what these LPGs are used for it has been difficult for us to get the information about.

Those of you who are interested in refinery operations of LPGs, when the Committee asks you for these figures, we will

appreciate it if you will give them to us.

We know some are used for chemicals by refineries in the operation, and also for fuels, and the figures are very substantial. We would like, if we could, to get all our figures in so we could present them to you at the next quarterly meeting.

The Chairman: Thank you, Mr. Warren.

You have heard the report, gentlemen, are there any questions in relation to it?

(No response.)

The Chairman: If not, the report will be filed. Thank you very much, Mr. Warren.

Mr. Warren: Thank you.

The Chairman: Gentlemen of the Council, I know that you share the personal pleasure that I do in having with us at this time the distinguished Secretary of the Interior, the man who is responsible for our existence as an industry agency.

We are glad to have you here, Secretary Krug. We have missed you very much. We have gone ahead; this Council has grown; it has grown in size, in membership, and I think in the responsibility that it has assumed at a critical time in relation to the problems that have come very closely home to the people of this country, growing out of shortages that they have experienced.

Since we met in January, we have organized under the

Council the Voluntary Allocation Agreements Committee, which was provided for in the report of a committee of this Council, and I want to take this opportunity, publicly, to congratulate you upon the very expeditious way in which this plan was approved by the necessary agencies of the Government.

As a matter of fact, it sort of took our breath. We have never known of anything that moved quite as rapidly through the circuitous processes of Governmental approval as that did. You are responsible; you and your assistant, Mr. Ball; you are responsible for the favorable approval that was given to it at a time when the country was facing a problem of real seriousness.

Now, I hope that it will be possible for you to remain here long enough at least to hear the report of that committee headed by Dr. Wilson.

I think you will be proud of what that report shows was done to relieve the hardship cases and the critical local shortages that we know resulted in various sections of the country.

The industry went to work as soon as you gave the green light. We set up organizations in Districts 1, 2 and 3. There was the most generous response on the part of the industry, and we had more than 300 representative members of the various branches of the industry who gave their time voluntarily and patriotically to working out these hardship situations and

did their best to meet a very difficult and serious situation, and I think perhaps the best evidence of the acceptance and the approval of the work that was done under that organization has been the fine expression of approval that has come from the governors of the states in those particularly critical areas as well as the local coordinators, who have expressed themselves as being highly grateful and highly appreciative of the effort that was made to meet these situations.

Certainly, I think it is a modest statement to say that as a result of that pulling together the oil industry is certainly in a higher state of public regard than it would have been if that effort had not been made.

I think by pulling together and with the cooperation that we had, the prompt action which you gave us in the approval by the Government of the organization that was set up, we did a job that certainly was in the public interest and a job that certainly has reflected credit upon you and certainly has done no harm to the petroleum industry.

Now, that report will be forthcoming shortly, but, in the meantime, you haven't been with us for some time. There are a good many new members in this Council, and I should hope that you might avail yourself, at this time, of the opportunity to say anything that you want to say to us, and then let us say anything we want to say to you.

(Applause.)

Secretary Krug: I think all of these fellows have heard me make enough speeches, and I am not going to make one this morning.

I do want you to know, Walter -- and I think the Council should know -- that in the eyes of the Government, not only the Interior Department but the entire Government, the petroleum industry has done the outstanding job in making the system of voluntary cooperation work.

It is recognized, not only in Washington but, as you point out, in each one of these states, right down at the grass roots -- and I think that the Council can claim the major credit because you were in operation, you were rolling and it didn't take you long to get up a full head of steam.

I don't think that I have to tell you that I feel we have a most critical period ahead of us. I think this is the time to gird ourselves and continue to implement the organization that will do this job in the next twelve to eighteen months ahead.

When we get through that period we are over the top of the hill. I do hope that your various committees working with us will help us get from the other Government agencies working with other industries, the kind of support that the petroleum industry must have if it is going to do its job.

I realize that your Council misses me, Walter, because after the last meeting, which I could not attend for causes

beyond my control, I was visited by a very distinguished group of the Council and they let me know, I assure you, in the most articulate fashion just how much I was missed.

(Laughter.)

Secretary Krug: I would be happy to hear the report of Mr. Wilson's committee, and after that, if there are any questions anyone wants to ask me, I will be available to try to answer them.

(Applause.)

The Chairman: Dr. Wilson, will you now present the report of your committee?

Mr. Wilson: I am sorry the copies haven't yet arrived. There are a couple of errors that had to be corrected.

I am very happy to again present a unanimous report on what we feared would be a controversial subject. I won't say there were no differences of opinion but they were all resolved.

(Whereupon, the report of the Committee on Voluntary Petroleum Allocation Agreements was read by Mr. Robert E. Wilson, with the following interpolations:)

#1 I want to reinforce what the Chairman said. I never was so surprised at the quick action that the Secretary and the Attorney General gave us so we could get rolling on that program.

#2 I saw one letter from the Fuel Administrator in

Massachusetts, where a lot of complaints come from. He said that after the committees were set up he didn't think there were more than a dozen hardship cases.

#3 For the first time in many months, I may say.

#4 We recognized in our report that solving one problem would create another, and that is about the state we will be in from now on I fear.

#5 Actually, I think it will show a greater gain for reasons which I will show when we put the charts up.

#6 Actually, the best indication is in the neighborhood of 6 or 7 per cent. We didn't want to be too optimistic, so we said "less than 10," so we are still gaining on the stock situation.

#7 As Max says, a lot depends on everything working out well. I would like to call attention to the charts.

This (indicating) shows, of course, the real reason why we are getting along so much better than a year ago. This tremendous jump in crude runs to still, when you remember we thought we were running pretty close to capacity, is made possible by a combination of maximum crude production, somewhat of an increase of imports, completion of certain pipe line projects, and the fact that the industry is moving today something more than a hundred thousand barrels by tank car where pipe lines are not available; so we do have a good showing on crude runs to still.

The point I want to bring out is that for the next two months, where I feel confident of making a gain, there was quite a slump in crude runs a year ago because of the combination of strikes and the Texas City disaster.

If we have those again we will have a dip. Barring that we should make a gain over the next two months. Against that we won't have such a large gain over the latter part of the year.

The next chart shows very much the same situation East of the Rockies (indicating); not quite so large a gain, naturally; and this shows the situation in District 2, which, from the stock situation, is the poorest on gasoline, as you probably know.

The reason I wanted to show that is to show what a large dip we had on account of -- not the Texas City disaster this time -- the strikes that were in effect during this period. We should make, in District 2, a very substantial gain as against a year ago for the next two months.

From then on, however, we will have trouble. You will also see during this period here (indicating) we were really running more than we could average. We had repairs and shut-downs to do as much as possible.

On the other hand, there is additional refining capacity coming into the picture around May and that will give us another boost and I think we will be able to keep them well above the

rest of 1947 for the year.

Now we come to the question of gasoline stocks. Here (indicating) is the total United States picture, which is the rather gratifying picture that I showed, that I spoke of -- 6.1 per cent.

I noticed there was a decline last week -- the paper quoted this morning -- so we have apparently topped off; but I don't believe the decline is at quite as rapid a rate as shown here, and I do think we have a chance of having a flatter top than a year ago.

There is a similar figure for gasoline stocks East of the Rockies, and there the rise is at a somewhat greater rate (indicating), and there is where we hope to make the gain.

Finally, we have gasoline stocks in District 2, and that is the place where the gasoline stock is rather disturbing; but I believe we will cross the last year's line within a week or two and we will get substantially ahead of it, barring some unforeseen occurrence.

#8 We are asking for very limited clearance to handle the one problem of fuel for tractors during the spring plowing season. That may be arranged. We are not asking for any other extension of temporary arrangement that was given.

#9 I may say that from this point on there was some difference in view of the committee as to how was the best way

to tackle it.

As you review the Public Law 395, the Presidential proclamations which affect it, and the industry regulations, you question whether it can be adopted by the type of decentralized action which our industry needs to take.

Some thought -- and I was one of the minority -- that we should try to point out the great difficulty of working out a scheme and asked to see if we couldn't just continue our present program. Others said, "Give us a chance to work it out." Max Bell, particularly in District 1, said, "Tell us what you really must have and give us a chance to work it out. Don't emphasize the difficulties. Maybe we can overcome them. But tell us what you really need to make an effective program and we will do our damndest to get it approved."

The Committee went along with that program and has indicated -- and there was no disagreement as to the provisions we needed to make it a workable effective plan that would get industry cooperation.

#10 In other words, this isn't the thing that we were set out; that we were told that war was around the corner and we had to build up stockpiles.

#11 We believe, to a limited extent, that the Council is at stake. We had to take off the military provision and detach it because of the secrecy; and if this isn't worked through the Council, it seems to me that the prestige is weakened.

#12 We are not talking here about a committee to formulate the plans; we are talking about the district and local committees who are the ones who work out the plans. To wait for a Government man to show up to handle those means that you couldn't handle the problems that show up.

#13 That is very important. Those men are on the job. We have had good relations with them. Our work should cover the work of those committees, not many of whom are appointed or even suggested by the district committees.

The mayor of the town will call in the people he knows in the oil business and ask them. Within some limit they will be working with the committee and given some authority to act.

end Haberer
Skelnik
fols

(Insert No. 14.)

There is quite a bit of evidence that certain problems will be important in some districts and not in others. We find the District Committees are best able to judge whether you need to get together and work under an approved program or not.

(Insert No. 15)

We do not feel that a thing as important as this should be undertaken without more time to study it and than will be provided at the council meeting today. We believe that the District Committees particularly should be consulted. We know that the majority of the things in here are in strict accordance with their wishes. We have left out some things that it is important to have clearance on.

The Chairman: Gentlemen, I regret that, due to some revisions and corrections in this report, copies of the report will not be available for immediate distribution. I understand that those copies are on the way and that you will have copies of this committee report within the next few minutes.

We also have copies of the reports of the various District Committees, that is, District I, District II, and District III, which are available for your consideration and study.

Dr. Wilson, do you desire at this time to generalize at this time as to what action we should take following your report?

Dr. Wilson. I think the proper thing to do would be

to approve the report, if the council is in agreement with it.

What that means, in essence, is, in short, and stated in terms of principle, what the committee has in mind is a continuance, under the sanction of Public Law 395 and the regulations thereunder, of the present general type of organization and program designed to deal with such shortage situations as may arise.

You will notice that this continues to be at the consumer level, and on a decentralized basis. Those are the two important things in our program. Frankly, I do not think that they are the type of things that were contemplated in Public Law 395. If the program can be worked out, we think it would be a helpful program and will enable us to meet and head off hardship situations.

The Chairman. Mr. Secretary, a lot of this will, of course, fall in your lap. Do you have any immediate comment in connection with this committee report?

Secretary Krug. I was going to ask a question, and I imagine that Mr. Ball will be the one who can answer it.

When do we have to go to public hearings on Public Law 395?

Mr. Ball. We do not go to public hearings until the plan has been definitely formulated, approved by you, and then is ready for submission to the Attorney General.

In this case, you have appointed a committee which is

composed of the same members as Dr. Wilson's committee, with eleven others, to get a broader representation geographically and functionally.

As soon as these reports come back from the five areas which are referred to in Section K, it is thought that a meeting of that committee will be called, which will take this plan, with such changes and comments as may be made, and come up with a formal proposal.

In working that up, undoubtedly the representatives of the Department of Justice will work with us, so that we will be working together right along. We will not be preparing something to give to the Department of Justice which will be cold. As soon as the plan is formulated, we will lay it before you. If you approve it, then we will call for public hearings. From ten to fifteen days' notice for public hearings will be required.

Secretary Krug. Is the temporary authorization that we have now broad enough to cover the interim period while we can get that kind of a program?

Mr. Ball. It is broad enough in scope, but it expires on the 1st of May.

What the committee has requested here is that we get the authorization extended beyond May 1st to take care of agricultural situations only, in connection with motor fuel.

Dr. Wilson. Tractor fuel for the spring plowing season

is what we are worried about.

Mr. Ball. There are one or two agricultural situations. I have a letter from the Department of Justice which deals with the apple growers in New England who need more gasoline than the distributors are giving them. I think you had better keep it wide, so as to cover the agricultural situations. Therefore, the committee is making the request that the authorization be extended beyond May 1st, to cover agricultural situations.

Secretary Krug. What is your idea as to the time when we can come up with a formal program for approval? I know Mr. Clark is very much concerned about it.

Mr. Ball. Just as a guess, I wouldn't want to say that we would come up with a plan for public hearings before the middle of May. We may be ready for an announcement for the calling of public hearings about the middle of May, which would mean that we couldn't get the public hearings completed and the plan submitted to the Department of Justice before June 1st.

Secretary Krug. Do you agree with that time schedule, Dr. Wilson?

Dr. Wilson. There is no critical situation outside of the agricultural one, which we foresee before the middle of June or the first of July, at the earliest, barring a war, of course, or something unusual. Therefore, we don't think

that that is serious, provided we can get that one clearance for the agricultural areas.

Secretary Krug. I do not think that we will have any great difficulty in getting that, if we are coming along with a reasonable schedule for the rest of the program.

Dr. Wilson. I should think that you could have a meeting of the committee, your committee, in about two weeks from now.

There is one thing that I should say to the members of the committee.

We made a slight change, that is, the editorial group, last night. We had it "To be referred to individuals in Districts IV and V, named by the Chairman."

After thinking it over, it seemed more sensible to simply refer to all members of the Council from Districts IV and V. I trust that you are in agreement with that change.

Mr. Drake. For how long a period would you want this to go on, Dr. Wilson?

Dr. Wilson. It cannot go beyond March 1, 1949.

Mr. Drake. I am referring to this extension for agricultural situations.

Dr. Wilson. The extension for agriculture, I should think, should be to the first of June.

Secretary Krug. We had better ask for an extension to June 15th.

Mr. Graves. Dr. Wilson, have you moved the approval of

the report as submitted?

Dr. Wilson. I do not think I did so formally.

Mr. Graves. If you did, I would like to second the motion.

Dr. Wilson. I did not make a formal motion to that effect, but I will do so now.

The Chairman. Dr. Wilson has moved the adoption of the report of Voluntary Petroleum Allocation Agreements, and Mr. Graves, Chairman of District I has seconded the motion.

Is there any further discussion of the report, gentlemen?

(There was no response)

The Chairman. If there is no further discussion, all those in favor of the adoption of the report will so indicate, by saying "Aye".

(There was an affirmative response.)

The Chairman: Those opposed to the adoption of the report will indicate by saying "No".

(There was no response.)

The Chairman. The committee report is adopted unanimously.

Secretary Krug. I would like to have the record show, Mr. Chairman, that I think Dr. Wilson and the members of the committee have prepared a fine report. I think Dr. Wilson and the members of the committee deserve a lot of credit for what they have done in such a short period of time.

Mr. Meece. For the benefit of some of the legal minds here who may have some doubt as to this so-called Krug Com-

mittee, I wonder if we could ask Mr. Ball to explain to the Council, even though it has passed, just what he explained to the group yesterday as to the fact that this one committee will perform a function and then will die, and from there on out it is intended to be our recommendation that the Council will perform in the future?

Mr. Ball. This whole situation has been a confusing thing, and one that has been somewhat hard to explain. There arose a good deal of confusion in a good many people's minds, I think.

These regulations under Public Law 395, while they do not exactly conform with those of other Departments, such as Agriculture, Commerce and ODT, follow pretty closely a pattern that has been well established in the Government for a good many years as to the constitution of committees and the manner of their procedures.

Among other things, they provide that the industry advisory committees shall be named by the Secretary of the Interior or by the appropriate Governmental Agency, that the agenda for the meetings shall be prepared by the Government, and that the minutes shall be prepared by the Government, and finally that Government representatives should be present at all meetings.

The thing that bothered a lot of people was the thought that those regulations and those provisions with respect to the committees and their actions applied to the District

Committees and their subcommittees, as well as the committees which would have the job of carrying out any program entered into.

Some of those things would clearly be impossible because there aren't enough men, certainly, in the staff of the Oil & Gas Division, to attend the meetings of all the District Committees, to say nothing of their subcommittees, or to lay out an agenda for them, or to prepare the minutes for them. We don't want that job. It would be wholly impracticable for us to have it. Those provisions apply only to the committee that formulates the plan, and that is the committee which has been named by the Secretary.

When that committee gets the plan formulated, as I conceive the thing, that committee's job is done. I do not think that you need to be unduly apprehensive about those restrictions, so far as the formulation of the plan is concerned.

That Committee, named by the Secretary had one meeting. I opened it as presiding officer because somebody had to. Then I struggled for two hours to get somebody to elect an industry chairman, so that there would not be a Government man acting as chairman. It is not my fault that they consistently turned me down and insisted that I stay in the chair. It isn't the case that the regulations require a Government Chairman, they, just wouldn't let me out.

We proposed an agenda for that meeting. The agenda provided for the consideration of the formulation of such industry program as might be agreed upon.

We kept the minutes. I am sure any of you can have that job that may want it.

All that applies solely to this committee, which is to formulate the plan. It does not apply to the operating committees, which will carry on the plan, assuming that a plan receives the proper approval. I think that will clarify the situation.

The Chairman. I think, in order that there may be no misunderstanding, perhaps a motion should be made at this time, that the Wilson committee be continued. The adoption of a report does not finalize the committee's work under the text of the report.

I will suggest that in order that our record be perfectly clear on that point.

Colonel Barton. I move that the Committee be continued for further activity.

The Chairman. Colonel Barton has moved that the committee be continued.

Mr. Russell Brown. I second the motion.

The Chairman. Is there any further discussion?

(There was no response).

The Chairman all those in favor of the motion will so

signify by saying "Aye".

(There was an affirmative response.)

The Chairman. Those opposed to the motion will signify by saying "No".

(There was no response.)

The Chairman. The motion is unanimously carried.

Dr. Wilson. It should be understood, of course, that this committee does not have the job of formulation that you are speaking about. That is a separate job, and we do not have anything to do with it unless the formulation committee gets a plan which is approved by the Secretary and others. Then I presume that we will have some responsibility in connection with it from that time on.

Mr. Ball. Let's make it brief and call that the Krug Committee, in order to distinguish it from the Wilson Committee, since the first committee which I have just named was appointed by the Secretary of the Interior. That committee was created in accordance with Public Law 395 and the regulations thereunder, and, therefore, was named by the Secretary of the Interior, instead of being named by the Chairman of the Council.

The only reason that was done was because it was required by the law and the regulations.

That committee comprises the entire membership of Dr. Wilson's committee, whose report you have just adopted. It

has eleven additional members. Those members were added for two reasons.

One is that on the Wilson Committee, Districts IV and V were not represented. The Wilson Committee representation is entirely east of the Rocky Mountains.

The other reason is that to be sure that our friends in the Department of Justice were wholly satisfied, we added some more members of very definitely independent persuasion, so that there would be no question about adequate and full representation for all independent elements in the industry.

Also, of those eleven additional members who are on the Krug Committee, that are not on the Wilson Committee, six are members of the Council.

Now, at the meeting of that Committee which was held on the first of April, the Committee voted unanimously - and remember that that committee includes the 21 members already on the Wilson Committee --that I should request the Chairman of the Council to ~~appoint~~ to the Wilson Committee, the eleven members who are not already on there, so that the membership of the two committees would be identical.

I made that request of the Chairman, and the Chairman felt - and I do not want to take any words out of his mouth - that that was an action which he should not take until after he had had a chance to consult with the Council.

I have been charged by that committee with the responsi-

bility of laying that request before the Chairman, which I now do.

The Chairman. Gentlemen of the Council, I think it is proper that I state the reasoning which prompted my attitude in the matter.

The Wilson Committee on Temporary Petroleum Allocation Agreements was appointed early in January. It had been functioning. It was a going committee. I made an effort to appoint in every instance where it was possible, members of the Council, as members of both committees. That was done, with two or perhaps three exceptions, where members, whom I had asked to serve, were unable to serve, and suggested an alternate in their behalf.

Now, under our procedure, the Chairman appoints these committees, subject to the approval of the Appointment Committee.

It occurred to me that it would be perhaps exceeding my authority to go ahead and add eleven additional members to a committee that had already been constituted, and had gone far in formulating its decision.

Secondly, it seemed to me that it might establish a rather dangerous precedent if the Chairman of the Committee could, at an eleventh hour, add fifty per cent of a new membership to a committee, and that it would involve a question which was a very doubtful legal procedure under our Articles

of Organization. I think perhaps that was the only time that Mr. Ball and I have ever had any differences. I said to him that I was relectant, and felt that it would be exceeding my authority to name the members of the committee he had requested, until additional authority had arisen from the Council for me to do so.

That is the issue before us now, that is, whether or not it is the wish of the Council that the members who are members of the Krug Committee, and not members of the Wilson Committee, should be appointed as members of the Wilson Committee.

That is a matter which I submit to your judgment at this time.

Mr. Duke: Who are the eleven different members?

The Chairman. I assure you that there were no personalities involved in the matter.

Mr. Duke: I understand that, but will you, Mr. Chairman, give us the names of the individuals?

The Chairman. They are as follows:

John P. Birmingham, White Fuel Corporation, Boston, Massachusetts.

Louis M. Faber, Retain Gasoline Dealers Association, Milwaukee, Wisconsin.

Walter S. Hallanan, Plymouth Oil Company, Pittsburgh, Pa.

John Hancock, Hancock Oil Company, Long Beach, California.

Harry B. Hilts, Empire State Petroleum Association, Inc., New York, New York.

Carl A. Johnson, Independent Refiners Association of California, Los Angeles, California.

R. L. Minkler, General Petroleum Company of California, Los Angeles, California.

Glenn E. Neilson, Husky Refining Company, Cody, Wyoming.

S. F. Niness, Leaman Transportation Company, 520 East Lincoln Highway, Downingtown, Pennsylvania.

Rankin P. Peck, National Congress of Petroleum Retailers, Detroit, Michigan.

Chester S. Smith, Standard Oil Company of New Jersey, New York, New York.

Mr. Duke. Do I understand that it is the recommendation of Mr. Ball that this be done?

The Chairman. That was the recommendation that came out of the meeting of the Krug Committee.

Mr. Drake. Whose recommendation is it?

Mr. Ball. It is the recommendation of the Krug Committee, which has my thorough approval.

Mr. Meece. Was it the unanimous recommendation of the members of that committee?

Mr. Ball. It was the unanimous recommendation of the committee who were present at that meeting and who, in the main, were members of the Wilson Committee.

Dr. Wilson. I do not want to object to that. I agreed to it at the time, that it was a good thing.

On the other hand, if we are going to have a permanent committee to carry in, in the first place, it is clear that the Crug Committee is going to go ahead and do the job now, if they can do it. It would seem to me that that Committee must be expanded so as to include Rocky Mountain and Pacific Coast representatives, who were not on it, for obvious reasons, before.

It does seem to me that, in general, those members should be Council members, - I mean, so far as possible. We shouldn't ask the Chairman to appoint any particular individuals, but we should ask him to make the committee more generally representative, after discussion with you and with the Appointment Committee, presumably.

Mr. Hill. I think we have here a really very fundamental question about the organization of the Council.

I agree with you that the personalities involved really have no bearing upon the matter. But the Council does have a particular function to perform, and it exists under very limited grant of authority.

We, for instance, can only consider such matters as are transmitted in writing by the Secretary of the Interior or the Director of the Oil & Gas Division.

To determine whether or not the Council may legally so proceed, we have set up the machinery by which those requests are screened and recommended to the Council for their action.

Likewise, the committees that are to investigate questions that are approved for study and for report are formed of individuals nominated from the floor or by the Chairman, and approved by the appointment committee, which is a standing committee.

Their reports are made to this Council and do not become advisory recommendations until approved by the Council.

Now, this procedure here is an entirely different one. Here is a committee which is set up under a different set of regulations.

It has an agenda that is not passed upon by the membership of this Council or the Committee; it is prepared by the Government.

The agenda may be announced when the committee is assembled. They prepare the minutes, that is, the Government prepares the minutes, not subject to the discretion or the judgment or the interpretation of the committee.

I think that it is a useful thing to have this difference in personnel on the two committees. I can understand the legal reasons why the Secretary found it necessary to appoint the other committee. I think we all should appreciate his thoughtfulness in including in that committee all of the members of the Council committee, and certainly it was done with no unfriendly regard. It was done with great respect for the action of the Council.

But to turn the thing around is a distortion of the functions, the organization procedure, the duties and the responsibilities imposed upon the Chairman and the Appointment Committee, the duties and responsibilities that are imposed upon the agenda committee, and also of the action of the Council upon the reports of its own committees that become advice to the Government.

Now, Max, I think everyone here applauded your address this morning because you were speaking from the bottom of your heart. You showed a fine sensitivity to what is going on, and the troubles that you are having with the misinterpretation of your releases and your motives, and everything else.

But you are not conscious, I am sure, of this: You have asked for and received a request for the appointment of five committees, and the reactivation of three committees, all of whom must make new reports on tanker transportation, refinery capacity, production availability, stocks, and everything of that sort.

But really the essence of your talk was an impassioned plea in the nature of pre-judgment of the reports of those committees. You were not conscious of that, but you were saying, "Don't do this and don't report that, and be concerned about this."

Really, that is not the function of Government in a council like this. This council is advisory to the Oil & Gas

Division and to the Secretary of the Interior. They are not advised by them with respect to the effect of their reports. The nicety of the separation of the functions of those two committees ought to be preserved. They ought to be preserved because they stem from different grants of authority. They are protected by different duties and responsibilities.

There is nothing that will be lost by maintaining the separation in the personnel of those two committees, stemming from different authorities.

Secretary Krug. Mr. Chairman, I have to leave in just a minute, and I appreciate that the discussion of this question may go on for some time.

I would just like to leave this thought with the Council before I depart:

I must say that it came as a surprise to me that the membership of this Council, in the eyes of the Department of Justice, wasn't broad enough to permit the selection of a committee qualified to perform this function under Public Law 395.

All of us worked hard to make this council representative of the entire industry and to take into account all of the considerations that presumably were taken into account by the Congress in approving Public Law 395.

Now, apparently, we have some differences with them on

that score that we have to work out. I think we can work them out, but I think that it is going to be decidedly confusing if we try to operate through the fiction "Krug Committee."

I might say that that is a bad name. I do not like things named after me. That frequently damns them. You ought to find some way of putting these two committees together, and I don't care what way you find to do that. Otherwise, we are going to find difficulties, confusion and disturbances in Government and in industry.

That is all I have to say on that point.

There is one other point that came up in connection with this statement, however, that I cannot resist the temptation to comment on.

Certainly this committee is here to advise Government, and that is what you are here primarily for. We are seeking your advice, but I do hope that you will not be sensitive if, in the course of our seeking your advice, we tell you some things that are going on in Government that we think you should know as an industry. If you want to call that advice and want to exclude that in the future, that is your own affair, but certainly we ought to be able to sit here around this table in an attitude of mutual confidence, where men from the Government can tell you things that concern the Government with respect to this industry and where you can tell us whatever your advice is on things that concern this

Government.

I do hope that the Council will not take such a narrow view of its usefulness that there will result a one-way flow of intelligence. We may seldom have anything of value that you do not already know, but occasionally we may.

I do not think that you want to take the position that if Max Ball tells you something about some problems that are under consideration that he is violating the basic charter of this Council in the way it was ordered.

Dr. Wilson. Mr. Chairman, I would like to say that my reaction to Mr. Ball's statement was not in any way an attempt to give instructions to committees. He was just warning us, from his position in the Government, of the bad reaction to over-optimistic statements, such as appear from time to time.

I think it was a warning that we all welcomed. If he had been trying to tell our committee what to report, it might have been different.

We had been mildly optimistic on certain things. I think we had reason to be.

At the same time, there is no doubt but what such statements can get us into trouble.

Secretary Krug. On that score - and probably Mr. Ball has covered this in his statement - Max and I have gone to bat for the petroleum industry in steel allocations. We were able to get Secretary Harriman to say that he would give the

petroleum industries' essential needs a priority in the allocation of steel. He did that on our representations to him, of the need to meet essential requirements for petroleum products.

In the last few weeks, virtually all of the progress we made has been voided by statements that have come back and which have been used by other people who are worried about the petroleum industry getting priorities, counteracting the position we had taken.

I do not think that you want to get the question of whether someone is going to run the oil industry from Government mixed up with the question of getting the steel which the petroleum industry needs. We do not have to get that mixed up, and I want to see us work together until we get that part of the job done.

I am sorry that I cannot stay with you any longer this morning.

The Chairman. We do not want to stop there.

Secretary Krug. We will not stop there. Thank you very much.

The Chairman. . Are there any further comments, gentlemen, on this matter?

Mr. Ball. I want to say one thing. My attention was called to the fact that I might have sounded a little optimistic on one aspect, after all of the talk I have made about not being

over-optimistic.

I certainly do not mean to imply any guarantee or to make any commitment on the part of the Department of Justice which, of course, I would not be entitled to do, in any case, that the Department of Justice is going to approve the plan as submitted. All I am saying is that we hope it is possible, and we think there is a reasonable chance that what I told you a while ago about the constitution of the operating committees can get approval. We will do our utmost to get it approved. We cannot give you any guarantees. We will just do our very best on it.

The Chairman. Mr. Graves, do you desire to make some comments in connection with your activities in District No. 1?

We will be very glad to hear from you.

Mr. Graves. Mr. Chairman, do you mean with reference to the appointment of these members?

The Chairman. Not necessarily on that point, but on any other matter that you think should come to the council from District I?

Mr. Graves. We have submitted a report, and copies of the report will be available for the information of the Committee.

We have endorsed the action taken in connection with the adoption of this program. District I has considered the matter very carefully. Based on the experience that we had there in handling the situation, and as long as the oppor-

tunity was available to have an organization approved, so that in case it was needed in the future it would be ready and capable of operating, we were strongly of the opinion that the industry should take advantage, under Public Law 395, of having a program approved.

We believe that some good was accomplished. We were able to eliminate all of the hardship cases. In addition to that we believe that the Industry helped itself in being available and being ready to talk with the local Fuel Oil Coordinators, so that they had a feeling that they had some place to come and discuss their problems.

I simply want to say that I think the action taken was a desirable one, and I hope the plan will be approved along the lines that we have submitted.

Our committee was very strongly of the opinion that Industry should do this job, and there was no desire to have any Governmental men present.

It was pointed out that under the Executive Order, other industries had to have a certain form of organization. In spite of that, we felt that the Oil Industry had operated during the War as a free industry, and that the record of what they had accomplished justified the request now that, wherever regulations have to be changed, that the Industry can continue to operate without Governmental men being present, special approval be given.

I think that is all I have to say on that point. I have been very much impressed by Mr. Ball's statement. I would like to ask whether that is an off-the-record statement or whether copies will be given to members of the Council? I think it would be well for all of the members of the Council and the industry to read that statement carefully. I would like to get a copy of it, and I think it would be very helpful if copies of the statement can be given to members of the Oil Industry.

The Chairman. Thank you, Mr. Graves. We will hear next from Mr. Joe Hyer, who is here in the capacity of representing Mr. John Newton, who is Chairman of District Number III.

Mr. Hyer. District III generally concurs with District I as far as Mr. Graves' remarks are concerned.

As you all know, we are a supplier district rather than a consumer level district. Of course, we will do our utmost to cooperate with Districts I and II on the points that we can.

The Chairman. I had hoped that Mr. Majewski would be here this morning to report from District II. I had expected him to be here before this time, but we shall look forward to a report from District II later in the Session.

Mr. Graves. Would it be possible to have an answer to my request as to Mr. Ball's statement?

The Chairman: I do not know what Mr. Ball has in mind. It is his statement, and he will have to answer.

Mr. Ball. I prepared that, Bert, as a statement to be made within bosom of the family. Of course, my experience has been, that with as many people as there are here, somebody is bound to talk to the press about it, and it will then sound worse than it actually is.

I would be very glad to put copies in the hands of every member of the Council and any other member of the Industry who wants it.

I think that before I did that I would like to excise certain things which sound as though they were critical of members of the Council. I do not think that we ought to say that sort of thing outside. That was said here where we could thrash them out. Those excisions being made, I shall be very glad to make the statement available to everyone.

Mr. Russell Brown. I had not meant to comment on this now, but I think that Mr. Ball has rather severely lectured the entire Council.

The unfortunate part of that lecture was the reference to things that the Council had never done. I think if the procedure had been followed of submitting these questions that are so important to the Government to the Council, we would have had an answer where he would have been protected and we would have been protected.

Now, some of the quotations he used were quotations from statements that I had made, and I expect to answer them.

I do not think that it is fair to ask Council to come here for as short a time as we will spend here, and listen to a debate between Max Ball and myself, although I do know that those things are going to be answered.

I have the full and complete answer to them. Max was, in my judgment, wrong, and I said so.

As much as all of us respect you and like you, Max, I think you could have avoided that situation if these things had gone back to the Council.

I was critical of the fact that you had never given us a chance to debate. I might have had a different point of view, and I dealt with it the only way that I could, since the matter was outside the Council. There was no way that I could respond except to answer outside of the Council, which I expect to continue to do.

I think it would be helpful, in connection with the copy of the statement, which is a very important statement to us, that you also give those of us whom you quoted an opportunity to answer. I know you will want to have the answers.

Mr. Ball. I think there is one practical factor involved, and that is, that every time I am called before a Congressional Committee, or some public body, I am not able to submit the matter to the Council. I would be very glad

to do that if Council were available. Nothing would suit me better, but it is just not within the bounds of practicability.

I want to repeat what I said in the early part of that statement, that I neither decline nor resent the type of criticism that Russell Brown has made, and that others have made. I wasn't shooting at you alone, Russell.

Mr. Russell Brown. I know that.

Mr. Ball. I mean exactly what I said here, and that is that every Government Official, no matter who he is, should be kept under the microscope all of the time, and that there should be the most extreme watchfulness to see that there is no attempt on the part of anyone in Government, directly, or indirectly, to accomplish ends in which the Industry does not believe.

The Chairman. I hadn't intended to comment, Russell, until you brought the matter up, but I think I recognize some things that I have said in the quotations that Mr. Ball used this morning.

I remember particularly that one which I made before a Congressional Committee, that while the situation was somewhat serious, I didn't think that it was necessary to call out the Fire Department.

But, nevertheless, I do feel that if it were not for some manifestations of honest differences of opinion between

Industry and the Government, why, the Council would have little value. Those are the things that we must try to reconcile and to adjust, so that we can find some common ground of understanding.

When I made that statement before the Committee, I felt that it was entirely justified. There were a good many events which took place later which perhaps made it of doubtful propriety, but nevertheless I made it, and I stand on it, and we are not going to have any great falling out about that.

Now, as to the availability of Mr. Ball's address, that is a matter for your decision, Mr. Ball. We would be glad to have the members of the Council furnished with a copy of it if you so desire.

Mr. Ball. That would depend on whether the Council wants it or not.

Mr. Blaustein. Do we understand that if Mr. Ball's statement is given out, it is going to be answered publicly? If it is going to result in that sort of a situation, it would certainly be inadvisable to distribute Mr. Ball's statement.

Mr. Russell Brown. The statement unanswered would be bad.

Mr. Blaustein. If we would find ourselves in that sort of a situation, I think Mr. Ball ought to take that into consideration before he disseminates his statement.

Mr. Ball. I would want it to be understood that this is something I said to this group, and not as a Governmental

official talking to the Council, but as one oil man talking to another.

Dr. Wilson. I think we ought to leave it where it is.

Mr. Blaustein. I think it would be better, under the circumstances, if that statement were not disseminated.

Mr. Ball. That would be fine with me.

The Chairman. Mr. Graves, will you withdraw your request?

Mr. Graves. I will withdraw my request.

The Chairman. The Chair recognizes Mr. Hill, Chairman of the Agenda Committee, who will submit the report of the Agenda Committee.

Mr. Hill. Before I make my final report, I would like to make a comment on the last discussion.

Max knows that I do not want any one-way flow of information, as far as this Council is concerned. It has been a great pleasure to work with him, even in complying with the request to sit down and study and work out a way in which a two-way flow can be accomplished.

I wish you would tell the Secretary that, as a matter of information.

Mr. Ball. Thank you.

Mr. Hill. The Agenda Committee has a report to make which is in two parts. I will abbreviate it somewhat by summarizing the first part.

The Director of the Oil & Gas Division asked for the reactivation of the Committee of Petroleum Production and Crude Availability, the Committee on Petroleum Refining Capacity, and the Committee on Petroleum Tanker Transportation, in order that they might bring up to date the information previously reported at an earlier date.

These matters were considered by the Chairman of the Agenda Committee as being urgent in their nature.

The members of the Agenda Committee were contacted, and they have approved and recommend to the Council the reactivation of those three committees.

There were three other requests which were submitted, one of which the members of the Agenda Committee thought unnecessary and two of which they recommend.

I will now read the first matter taken up in the report of the Agenda Committee.

(Item 1 of the report of the Agenda Committee was read.)

Mr. Hill. I read that item in full because that is an item adverse to the request.

The other two I will not read in full.

One was the request that the Council Committee be appointed to make a study and recommendations with reference to the organization procedures and policies that should be followed by Government in the case of an emergency, which the Agenda Committee unanimously recommends be appointed.

The other was for the appointment of a study committee to report upon the data with respect to crude oil and products, stocks, which request the Agenda Committee recommends be complied with, except that they do not undertake to say what should be minimum stocks.

The Chairman. That is the report of the Agenda Committee. Do you move its adoption, Mr. Hill?

Mr. Hill. I move its adoption.

Mr. Meece. I second the motion.

Mr. Ball. Just a moment. I would like to be sure that we are clear on that last item, George.

What we asked for is not stocks in storage, but storage capacity. It is not stocks so much as storage capacity that we want.

Some of you know that there has been some questions raised whether, if this summer should be cold and wet, gasoline consumption be low, and refinery runs stay up, whether storage capacity might not be a headache.

Mr. Hill. We recommended everything you asked for, Max, except that the word "minimum" implied a judgment as to what should be the minimum working stocks. Of course, that is something which we couldn't do and undertake to do.

Mr. Ball. I would like very much to have the Council's judgment on that point, but I recognize the limitations.

The Chairman. You have heard the report of the Agenda

Committee.

Is there any further discussion of the report?

(There was no response.)

Mr. Duke. I move the adoption of the report of the Agenda Committee.

Mr. Blaustein. I second the motion.

The Chairman. It has been moved and seconded that the report of the Agenda Committee be adopted.

If there is no further discussion, all those in favor of the motion will signify by saying "Aye".

(There was an affirmative response.)

The Chairman. All those opposed will signify by saying "No."

(There was no response.)

The Chairman. The report is unanimously adopted.

As to the reactivation of the three committees, as recommended by the Agenda Committee, to comply with the request of the Director of the Oil & Gas Division that the Committee on Petroleum Production and Crude Availability, the Committee on Petroleum Refining Capacity, and the Committee on Petroleum Tanker Transportation be reactivated, it is my intention to ask the chairmen who served respectively on these committees, to continue in that capacity. Those chairmen are Major Hardy, who was the Chairman of the Committee on Petroleum Production and Crude Availability; Dr. Wilson was the Chairman of the

Committee on Petroleum Capacity; and Mr. Patterson, the Chairman of the Committee on Petroleum Tanker Transportation.

Now, there may be some changes that we shall desire to make in the membership of the committees, to recognize certain new members of the Council.

Major Hardy, are you willing to undertake this assignment?

Major Hardy. Yes.

The Chairman. Dr. Wilson, are you willing to undertake this assignment?

Dr. Wilson. I am going to have a lot of work to do on this other committee, and I do not like to double up. I am really pretty badly loaded now. However, that isn't too large a job. Perhaps Mr. Boyd will continue to assist me.

Mr. Boyd. I will be glad to work with you, Mr. Wilson.

The Chairman. I should hope that these committees might undertake these assignments immediately, so that we can have an interim report as quickly as possible.

Any other committees that are authorized will be named in due course.

Mr. Ball. I have here one of those things that we all hate, one of those last-minute things, but this was brought up to us by Assistant Secretary Davidson.

I have here another request, which will have to go to the Agenda Committee for their consideration. Perhaps they

will be able to look it over during the noon hour and perhaps not.

The request is as follows:

"Dear Mr. Hallanan:

The Department of the Interior has drafted and has under consideration a proposed revision of the regulations issued September 13, 1946, to implement the Act of July 13, 1946 (60 Stat. 533) relating to the sale of Government royalty oil. Before taking action on this matter, the Department would like to have the benefit of the comment and advice of the petroleum industry on the revised regulations.

"It is, therefore, requested that the National Petroleum Council establish a committee to consider the proposed regulations and to submit such report and recommendations with respect thereto as may be deemed appropriate.

"Sincerely yours,

"Max W. Ball, Director."

The Chairman. That request will be referred to Mr. Hill's committee. You will have an opportunity, Mr. Hill, to consider it.

Gentlemen, in our last meeting you will recall that we had a very interesting address from a Mr. Arthur Hill, who is Chairman of the National Security Resources Board. I wrote

to Mr. Hill and invited him to sit in with the Council at this time, and also to bring along with him a couple of distinguished men from the Oil Industry, who are associated with him.

Mr. Hill was unable to accept the invitation, but we are honored here today with the presence of two outstanding representatives who are men of great distinction in the oil industry.

I want to introduce them at this time. They are Mr. Wallace Pratt and Captain Thomas J. Kelly.

Mr. Pratt, will you come forward and say something?
Will you come forward also, Captain Kelly?

Mr. Kelly. I will defer to Mr. Pratt.

Mr. Pratt. Mr. Chairman and gentlemen of the National Petroleum Council:

This Council, of course, is not the API but the membership of the Council and the presence of the President of the API bring back to me vividly, although many of the faces that I used to see are no longer here, are no longer around the table, the meetings that I attended over a period of six years, as the Director of API.

That period came to an end almost twenty years ago. It was a great pleasure to me, Mr. Chairman, and gentlemen, to be permitted again to meet with a group that so thoroughly represent the petroleum industry of this country.

In behalf of Mr. Hill, I express his regret to you, Mr. Chairman, that he could not be present today. I know he would have liked very much to have been here.

The affairs of the Petroleum industry that come to the National Security Resources Board, which is only a small part of the Government, as you all know from your contacts with them, get to be, when they come to your desk, a large aggregate of files and reports. They take time to prepare.

We here in Government, my associate, Captain Kelly and myself, - and again I speak for Mr. Hill - are anxious that the attitude of industry be presented as fully and as forcefully as it can be to the Government.

I put the statement that way because I am constantly - I started to say "appalled" -- I am constantly impressed by the need Government seems to me to have for a more intimate knowledge of not only the troubles, but the accomplishments of the Petroleum Industry.

If you can help us bring the facts about industry to Government, we shall be grateful, and we will do our best to carry your message on.

Thank you very much, Mr. Chairman.

The Chairman. Thank you, Mr. Pratt.

Captain Kelly, we will be very glad to hear from you. Captain Kelly is the Director of the Petroleum Organization of the National Resources Board.

Captain Kelly. I had hoped that I might avoid stepping up before you gentlemen. The least that I can say is that Mr. Pratt has expressed my thoughts, and our wishes and our ambitions, and what we are working towards.

We hope that our association with you will be pleasant, and that we will be of benefit to Industry and our country.

Thank you.

The Chairman. Gentlemen, it is now 12:30.

Mr. Hill. Mr. Chairman, may I ask that upon adjournment, the members of the Agenda Committee will gather for a conference for a few moments?

The Chairman. Very well.

I suggest that we recess now until 2:00 o'clock.

Mr. Jackson. I so move, Mr. Chairman.

Mr. Drake. I second the motion.

The Chairman. It has been moved and seconded that we adjourn until two o'clock.

All those in favor of the motion will signify by saying "Aye".

(There was an affirmative response.)

The Chairman: All those opposed will signify by saying "No."

(There was no response.)

The Chairman. We will adjourn now until 2:00 o'clock.

(Whereupon, at 12:30 o'clock p. m. the conferences was recessed, to reconvene at 2:00 o'clock p. m. of the same day.)

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AFTERNOON SESSION

(Whereupon, at 2:15 o'clock p.m. the Council meeting reconvened.)

The Chairman: The Council will please come to order. The Chair recognizes Mr. Hill, who will make a supplemental report for the Agenda Committee.

Mr. Hill: Mr. Chairman, after very long and painstaking deliberation and study and considerable debate the agenda committee recommends to the Council the appointment of a committee to make the study and report back to the Council as requested in the letter of April 15 read to the Council this morning by Director Ball.

Shall I read the letter or does everybody recall what happened?

The Chairman: I think you should read that. There are some here not familiar with it.

Mr. Hill: This is the letter:

"The Department of Interior has drafted and has under consideration a proposed revision of the regulations issued September 13, 1946, to implement the Act of July 13, 1946, relating to the sale of Government royalty oil.

"Before taking action on this matter, the Department would like to have the benefit of the comment and advice of the petroleum industry on the revised regulations.

"It is therefore requested that the National Petroleum Council establish a committee to consider the proposed regulations and to submit such report and recommendations with respect thereto as may be deemed appropriate."

Now, that report, of course, is not made a directive but the Council will have opportunity to consider it in making its final recommendation.

The Chairman: The agenda committee recommends the appointment of a committee?

Mr. Hill: That is right.

The Chairman: Do you move the adoption?

MR. Hill: I move its adoption.

Voice: Second.

The Chairman: All in favor say aye.

(General response: Aye.)

The Chairman: Contrary?

(No response.)

The Chairman: It is unanimously adopted.

Gentlemen, at our meeting in January you will recall that upon the request of the Director of the Oil and Gas Division you authorized the appointment of the committee of the Council to look into the very elaborate and extensive study of the steel requirements of the petroleum industry.

I recognize that this was no pink tea affair, that it

constituted probably one of the largest orders of work, and real work, that any committee had taken on since the Council was created, and I felt that there was one man in this group who had given a great deal of study to the problem and who could surround himself with men from every segment of the industry -- the production industry, the transportation, the refining, the marketing, and every diversified factor of the industry.

There was no beaten path to follow. There had never been a report that laid down any fundamental basis for the assembling of data along the line that had been requested.

I was able to persuade Mr. Russell Brown of the Independent Petroleum Association to undertake this important job and he has given this assignment a tremendous amount of time and energy and close attention and work along with a group of well-informed men from every geographical section of the country, and from every part of the industry.

You have received a copy of the interim report which is a very voluminous document. There is nothing more vital to the industry today than this subject of steel, and I want now to ask Mr. Brown to present the report from the committee for the consideration of the Council.

Mr. Russell Brown: Thank you, Mr. Chairman, for them kind words; we needed that.

You did provide a very capable group of men to work with

and I enjoyed very greatly the chance of working with them.

The subject was sufficiently large, we thought, so that it should be divided up into the natural divisions of the industry in order to make available the separate studies on that; so we took the liberty of dividing into subcommittees of production, transportation, refining, marketing, natural gas and foreign.

A subcommittee chairman was appointed for each of these divisions -- Ed Warren was made chairman of the production division; Fay Dow of the transportation; Mr. Halpern of the refining; Mr. Kennedy of the marketing; Mr. McGowen of the natural gas; and Mr. Suman of the foreign.

As the chairman has told you, we have submitted the complete report which I shall not attempt to read at this time, but perhaps it would be best to read a summary of that.

With your permission I will do that now.

(Whereupon, Mr. Russell Brown read the summary of the report above referred to.)

Mr. Russell Brown: Mr. Chairman, we attached to this summary the actual report as submitted to us by the subcommittees themselves, and approved by our entire committee. These reports are somewhat in detail and I think it would be a little bit difficult to read them all, and I assume it would not serve any purpose at this time.

I think most of them or some representatives for the sub-

committees are here, and I am sure would be glad to answer any questions on the detail that they would like to ask.

The Chairman: Do you want to call on the subcommittee chairman?

Mr. Russell Brown: I would like to call on such of those as are here for their comments. I see Mr. Dow is here. Fay, would you like to explain some of your manners of approach on this? I would like to have you do it, if you will.

Mr. Dow: Mr. Chairman.

The Chairman: Mr. Dow.

Mr. Dow: I was assigned the responsibility for assembling steel requirements for petroleum transportation in the eighteen months' period, and to show you how those figures were gotten up, there is a chapter, a substantial chapter, in the subcommittee report, which, in turn, consists of five reports: One for pipe lines, one for tankers, one for barges, and one for tank cars, and one for tank trucks.

Now, I assigned the primary responsibility for the development of the facts with respect to each of these media of petroleum transportation to individuals who were the most competent that I could select: Bruce Staray of Stanolind, by questionnaire, developed the pipe line steel requirements; Mr. M. G. Campbell of the Marine Department of Standard Oil of New Jersey for tankers; Chester Thompson, President of the American Waterways Association, for barges; Cliff Graves,

President of Union Tank Car Company for tank cars; and Sam Niness, President of Leaman Transportation Corporation and Director of the Tank Truck Division of ODT for the steel requirements for tanks only for tank trucks.

I might say, with respect to tankers, Mr. Cambell felt that at this time he could not wisely go beyond ascertaining the steel requirements for these tankers which are contracted for delivery in American yards in 1948 and 1949 reduced to T-two equivalents.

We read in a recent periodical the statement of tankers, which are required for defense purposes, and so on. Those are not included at all.

The steel for tankers in this report is confined to the contracted tankers in the United States yards in 1948 and 1949.

Of course, the big bulk of the tonnage is this requirement for pipe lines. As to that, Mr. Clardy received replies to his questionnaire from all of the important pipe line systems except one. He estimates that about 97 per cent, at least, of the requirements were covered for pipe lines.

While the exhibit attached to my subcommittee report doesn't state it specifically, the percentages, as I recall them -- I think I recall them accurately -- are that 76 per cent of the tonnage is required for the additional capacity of the existing systems; about 12 to 12-1/2 per cent for replace-

ment, retirements, and about the same amount for new pipe lines.

Now, I don't know whether you intend, Russell, to distribute the subcommittee reports which are in detail or not.

Mr. Russell Brown: The subcommittee reports have been sent to the members of the Council and I don't know whether there are sufficient reports here for distribution or not. They are all put in the full report.

Mr. Bow: Perhaps you explained to Council before I came in the fact that we were all called up before the House Committee the other day before these reports had been submitted to Council to explain to the House Committee the steel requirements.

On that occasion Mr. Graves was present and offered testimony for the tank car situation, and Mr. Niness for the part for the tank trucks. I undertook to offer testimony for the pipe lines, and they submitted some questions to us beyond the scope of our inquiry which have been answered by communication.

Mr. Campbell answered two of the questions which only he could answer, and perhaps you made that statement.

Mr. Russell Brown: I haven't yet. I expected to cover that at a later time. Thanks, Fay. Since that has been suggested or brought up, I should add, probably for the benefit of the Council, that after the report was made the Wolverton Committee, the subcommittee of the Interstate Commerce Committee of the House, asked you, I believe, as chairman, to

come before them and explain the steel report, and Mr. Hallan turned that job over to those of us who worked on it. So we had before that committee, Mr. Chairman, a number of representatives from each subcommittee and we were somewhat embarrassed at being called before a Congressional committee to render a report on one of our activities that hadn't been approved by your Council; but we made that clear to the legislative group that we could talk only on an interim basis, that our report had not been submitted for approval by your Council.

I am glad you brought that up, Fay.

Now, on the foreign, Mr. Suman is here and I would like for him to make such comment as he sees fit on that. I think we should explain, probably first, Mr. Suman, that we didn't attempt in any way to include the MRP in these figures. I just wanted to be sure that the Council understood that these foreign figures didn't include that. Will you make some comments on yours?

The Chairman: Mr. Suman.

Mr. Suman: These foreign figures only include the requirements of the United States owned corporations operating abroad. There may be a foreign corporation, but if it is owned 100 per cent or 50 per cent by the United States citizens, it was considered in the requirement.

We broke this down by the Eastern Hemisphere and the

Western Hemisphere, and this includes refinery requirements, marketing requirements, pipe line requirements, and producing requirements.

When we took the tubular goods requirements for producing operations and broke them down, compared with those of the domestic group, the percentage indicated was about on the historical percentage.

I might use some figures there. I think that last year the foreign use of American manufactured tubular goods was somewhere in the range of 13 per cent, 12 or 13 per cent, and these figures, when averaged up over the six quarters, fit into that historical pattern.

There are no unusual requirements in this foreign requirement for tubular goods. There are included in here two large pipe lines in the Middle East, but only two quarters' requirements for one of them; one rather large pipe line in the Western Hemisphere.

I would like to raise the question, Mr. Chairman, if it is permissible, do I understand that if this report is moved for adoption that it in any way has an implication that the oil industry is going to submit to voluntary allocation?

The Chairman: I think not, Mr. Suman. Primarily, this report and the data embraced in it, was requested by the Oil and Gas Division in order that they might have sufficient data to lay before the Department of Commerce a factual statement

as to the requirements of the petroleum industry.

Now, you have heard the statement of the Secretary here this morning that they had had some commitment, as I remember his words, that there would be an extension of priority to the petroleum industry in the matter of essential requirements.

I was hoping that after this report had been presented Mr. Ball would amplify that statement so that we would know just in which direction we were headed.

As I interpret this report it is entirely factual and does not carry any implication, unless the Council should so supplement it.

Mr. Suman: Is the Council going to consider that question?

The Chairman: That is up to the Council.

Mr. Suman: I would like to speak to it when the proper occasion arises.

The Chairman: The matter before us is the consideration of the report.

Mr. Suman: Would it be in order for me to make a few remarks about the critical situation in steel?

The Chairman: Entirely.

Mr. Suman: I have been making some study in the last few days among the steel people and the purchasing agents of some rather large purchasing companies purchasing some several million dollars of material a month as to what types listed in

our list of materials that we passed on of steel were now critical and which ones were easy, and I thought that that information might be interesting to this group.

The information I secured, the items listed in our study that are now easy and fairly early deliveries can be secured are structural steel, reinforcing rods, wire line, hot and cold bars, and machiner, oil field machinery. They are in easy supply.

Sheets and plates are in short supply but not critical. The only items listed on our group of materials that are now considered critical by these gentlemen are tubular goods.

I wanted to say, in talking to the steel people, what they think should be done in the matter of accelerating the maximum production of tubes -- that is, oil field tubular goods and line pipe.

In the information I get they point out that last year several of the large tube manufacturing companies did not run to full capacity because they couldn't get the billets and the ingots that were necessary for that operation.

I contacted several that were 25 per cent under capacity last year, and I know that one large fabricator of plates into line pipe, at one time last year, was only running 30 per cent capacity.

Now, from the president of the American Institute of Cast Iron and Steel -- is that it?

Mr. Ball: Iron & Steel Institute.

Mr. Suman: Yes. I understand from a paper which he recently delivered that the steel industry intended to deliver this year, unless hampered by physical problems like strikes, and so forth, two or three million more tons of steel than they produced last year, and if the Department of Commerce could see that that steel got to these mills who have been running under capacity, the billets and the ingots are delivered to them so that they could run to full capacity with this amount of steel which would permit that, I don't see what else the Department of Commerce can do to help us in this emergency that we are in.

As long as these mills are running to full capacity, that is all the tubes you can turn out. If it isn't enough, it is just too bad, as I look at it.

The other thing, as far as allocation is concerned, is that everybody that I have talked to is willing that the allocation be by the producers of these tubes, as to what they do with them. You don't have to worry about the foreign producers because they are regulated under this export permit system.

The thing seems to me to really simplify itself down into a very simple problem that hardly justifies the thickness of the report we made, Russell.

Mr. Russell Brown: I hope it is that simple and that

we will get some results out of it.

Is there anyone here from Mr. Halpern's committee -- Mr. Michael Halpern of the Texas Company, Mr. Charley Harding, and J. Howard Marshall and Henry Zoller -- I thought Howard was here -- did a splendid job on the refining. That was a comprehensive study they made and I hoped someone could give that.

Mr. Wilson: Russ, could you give us any figures on '47 so we could orient ourselves as to what these are?

Mr. Russell Brown: Very few. How much could we get on that?

Mr. Wilson: How much on pipe lines for oil production?

Mr. Jameson: About the only way you could get to that is to get to the tube requirements because the others are so close to the fabricators that we can't get anything on the historical basis except on the tubes. Pipes and tubes we can come fairly close on.

Mr. Wilson: How much is this below the 1947 -- how close to 1947, could you say?

Mr. Jameson: Bringing them into the main categories for oil line pipe, 1947 figures, as near as we can tell, run about 1,300,000 tons, where the 1948 figure is about 1,670,000 tons. That is oil country goods.

Mr. Wilson: You have 2,400,000 per year for oil and gas production.

Mr. Jameson: That includes all steel besides tubular; but the tubular goods section of that for 1948 domestically is 1,460,000 tons. Foreign is an additional 200,000 tons.

Mr. Russell Brown: About 200,000 tons more.

Mr. Jameson: In the oil country goods section it is roughly 200,000. Line pipe is a considerably larger increase.

Mr. Russell Brown: About 1,230 -- between two and three hundred thousand.

Mr. Wilson: I just wanted to reinforce this proposition because if we start to get on a band wagon for some other industry, much as we don't like it, somebody is going to turn the tables on us; somebody is going to say, "How are you going to allocate so many oil burners?" and "You have to allocate to the locomotives."

We would be sunk. I think we have to use every effort with the producers of tubular goods to get all the steel they can and rely on them to handle the situation from there on out. We would be better off than on any other scheme.

I understand in this requirement for the next eighteen months the number of pipe lines actually scheduled for rolling in 1951 and 1952, everybody would like to get theirs as soon as possible. Some are not on any rolling schedule yet.

Where you get to an allocation schedule like that, whenever you start running to Washington, everybody gets on the band wagon because that is an easy way to get the steel. If

we could get this -- we couldn't get it because there isn't the capacity anywhere near that -- we would be in a fight with natural gas, who need it worse, whether domestic or foreign need it. We would be in an almost impossible situation and almost have a split in the industry.

I want us to make sure that the steel mills are supplied with all the ingots they can get. I would be inclined very much to let nature take its course from there on because if we don't it will largely result in the fellow who puts the most political pressure, who exaggerates his need the most, getting it.

I heard one proposition. They were protesting giving every person a certain percentage of their requirements. That would mean you would have twenty half-finished pipe lines at the end of eighteen months, which would do us a lot of good!

Mr. Russell Brown: I thought I made myself perfectly clear that we are not attempting to indulge in the philosophies of distribution of this. We are trying to make this factual.

I do appreciate the appropriateness of making this. We are not trying to tell the steel people what to do but what we need.

On the question of marketing, Mr. Kennedy, or anyone who worked with him, -- Harry Kennedy assumed that job of chairmanship and had with him a large group from every phase of the marketing group. Is there anyone from his group? I guess not.

On the natural gas, Mr. McGowen's committee handled that. I don't see anyone. Mr. Green was here most of the time. I don't see anyone from that committee.

The Chairman: He is at the SEC.

Mr. Russell Brown: Yes; I understand he was engaged at SEC and probably is pretty busy.

On the production, Ed Warren acted as chairman of that and Mr. Jameson worked with him. I wish you would tell them something of how you approached that subject.

Mr. Jameson: We had several meetings of the production subcommittee and discussed various ways of doing the job, including by questionnaire and survey, and decided, in the time we had to do it, and also the disadvantages or the impracticality of trying to serve the number of operators, to approach it on the over-all basis.

We had the benefit of having Mr. Claude Parsons and Mr. Ralph Shiltons, who are thoroughly familiar with the same job that was done with PAW during the war, and that was the way the job was done -- just as it was done by the men in PAW who had that same responsibility during the war on an over-all basis, using established relationships that we were able to apply for the industry as a whole.

Mr. Russell Brown: That, Mr. Chairman, covers the background which we used, and the report speaks for itself.

Mr. Lovejoy: I would like to ask Mr. Jameson if he has

the number of wells used as compared with 1947.

Mr. Jameson: 37,800 for 1948 as compared with 33,000.

Mr. Russell Brown: That is what we asked for.

Mr. Suman: Russell, I see Howard Marshall sitting on the refining committee back there.

Mr. Russell Brown: I just asked him if he would comment.

Mr. Marshall: I have only this: That is, the job was done not by me but by Mr. Halpern of the Texas Company and his crew of engineers, and I think they did an awfully good job.

Mr. Russell Brown: That is our report, Mr. Chairman, and I, at this time, would like to move the adoption of the report.

Mr. Suman: I second the motion.

The Chairman: It has been moved and seconded that the report be adopted.

I think Mr. Ball wants to comment on it. Before calling on Mr. Ball, I think it might be interesting to a good many members of the Council to have the news that the Judiciary Committee of the House voted today on the Tidelands Bill to restore the titles to the tidelands to the states and the bill was voted favorably 21 to 3.

(Applause.)

The Chairman: Now, Mr. Ball.

Mr. Ball: I think you misstated it, Walter, that I wanted to comment; perhaps I should.

Mr. Russell Brown: I was in hopes that you would, because it would be very helpful.

Mr. Ball: I don't think any of you who didn't participate in the thing, and I didn't, have any concept of the magnitude of this job of trying to compile the steel needs of the industry in as short a time as this committee had and get a job done.

I came to have conception of it because I undertook to make an analysis of the report because we were asked, in Interior, by Commerce to submit to them information as to the steel needs, and we called on this Council for it, and we got this report. I felt that we had some obligation to analyze the report and either say it was worthless or maybe had some merit.

So I tried to make, since I had no one free to assign to it, an analysis. Obviously, I was subject to a lot of limitations -- that is, nobody could possibly make a complete analysis of the report unless he had the same type of staff that made it.

What I tried to do was to analyze the assumptions that were made, and then, where I could, to check the application of those assumptions against the conditions and see how they came out.

Some things I am not competent to and didn't have the information to determine or form any judgment on at all; but

I found on most of them by getting down and really analysing them that I could come to some kind of a conclusion, and I have prepared an analysis, and I want to say that this has not been to the Secretary of the Interior. He has not seen it. He may disagree with it. So it is simply Max Ball's at the moment and nobody above that.

That analysis, just to give you the idea of the job that this committee did, just this comparatively brief analysis of it, runs to 27 pages.

I am not going to give you any details of the analysis, but I think if I just read you two passages it will tell you what the purport of the thing is.

One goes to this question that Bob Wilson asked a while ago, How do these figures compare with what the industry has been getting.

"Any study of the accuracy and adequacy of estimates of the industry's steel needs is handicapped by a lack of historical figures with which to compare. Of the steel used to produce oil and gas and their products and deliver them to the consuming equipment, including provision of consumer storage, only an ill-defined part -- perhaps no more than 60 per cent -- is charged to the petroleum industry by the Iron and Steel Institute or by other statistical sources.

"The committee's report, on the other hand, is in-

tended to cover all steel needed, whether by the industry, itself, or by consumers, to assure the delivery to consumers of their estimated needs for their oil products and natural gas.

"This is the proper approach and the one for which we asked, but it leaves the student of the report without a basis for judging its estimates by comparing them with quantities of steel heretofore used.

"Even if historical data were available, moreover, they would provide no sound basis for judging present needs. Never before has the industry needed so much steel for expansion and repairs and replacements to enable it to meet the increased need for its products.

"This lack of a basis for comparison leads to an impression, on the first glance at the report totals, that the report calls for a disproportionate increase in the steel heretofore used by the industry. The impression vanishes with study of the report.

"For one thing, much of the steel requested -- perhaps as much as 40 per cent; possibly more -- is bought by the industry in the open market, from fabricators and supply houses. Presumably the industry will continue to buy through these channels at least as much as it has been getting.

"The more I study the report, moreover, the more

I am impressed with the essential conservatism of most of its assumptions and estimates.

"Those about which I have doubts or about which I am unable to form an opinion will appear in the discussion of the individual estimates."

Then, they do appear there, and there are very few -- in fact there are none about which I came to the conclusion that there had been over-estimates.

Then, just my conclusions; and let me say this just before reading this -- I would like to preface it with two things.

You heard the Secretary say this morning that the Secretary of Commerce had been persuaded to put steel for the petroleum industry on a priority basis. That is in principle. The Secretary of Commerce has agreed that the petroleum industry is one of the essential industries, which, if there is a voluntary agreement among the steel people -- and remember it can only be a voluntary agreement under this Act -- if there is a voluntary agreement among the steel industry that they will allocate products in any manner, the Secretary of Commerce has committed himself to the idea that the petroleum industry is one of the industries which should be high on the list along with foods and transportation. *and housing* I think there is one other and I have forgotten what it is.

Mr. Dow: Housing.

Mr. Suman: Agriculture.

Mr. Ball: Food, housing, transportation.

The other is that it is improbable, from all we can gather -- now remember this report was by request set up to estimate what is needed, not what is obtainable; this report has nothing to do with the availability of steel. It is merely the need for steel, the steel needed; and it may well be, in fact there are indications that there will be, that all branches of the industry will not fare equally; not all of them will get all they asked for and maybe none of them will get all they asked for.

Maybe it just isn't available, but there probably will have to be, eventually, some judgment on that if it is all in the hands of the steel industry. Remember, this is all in Commerce, not with us, as to what industries are in most urgent need.

These are my conclusions:

"I have already given such conclusions as I have have the knowledge and experience to draw regarding the individual estimates in the report.

"As to the total amount of steel requested, I believe, on the basis of such facts as I have, that it is conservative, nearer to an underestimate than an overestimate of the need and necessary to meeting in full the petroleum requirements of the American public.

"I believe further" --

and somebody may shoot me for this --

"I believe further -- and this belief may be born in my lack of personal experience in marketing -- that if the full tonnage requested cannot be furnished, fewer consumers will suffer ^{less} from curtailment of some of the marketing items than from curtailment of these for production, refining, or transportation, whether oil or gas, domestic or foreign."

Mr. Wilson: You mean suffer less?

Mr. Ball: Yes; suffer less.

What goes on from here is this: This report was submitted on the 16th of March. We immediately gave a copy or copies informally to the boys in the Department of Commerce and they have been working on it diligently ever since, so there was no time lost while I was laboring with this analysis; but they reached the point where they are ready to sit down now and take up item by item over there at Commerce.

They asked me: "How do we do this?" "How do we get the additional detailed information that we need that we can only get by personal discussions?" I said, "For Heaven's sake, forget protocol and don't worry about it; get together with the committee and subcommittees directly. We will sit in with you, but don't delay matters by making us a middleman."

Russell Brown asked the same question, and I told him the

same thing. The result is that starting tomorrow and running through next week a series of meetings of that sort are being held between members of the committee and subcommittees and representatives of Commerce analysing this thing down.

Mr. Russell Brown: Will you explain further that these conferences we are having now are not directed to the distribution but rather as to the factual material as to the requirements?

Mr. Ball: Yes. This is all confined not to distribution but to needs. It is purely an analysis of need.

The Chairman: Are you clear about the matter now? Are you ready for the motion?

Voice: Question.

The Chairman: The motion is to adopt the report of the committee as submitted by Mr. Brown. All in favor indicate by saying aye.

(General response: Aye.)

The Chairman: Contrary?

(No response.)

The Chairman: The report is unanimously adopted.

Mr. Majewski; we have missed you very much today. District 2 was called and there was no answer, and now that you are here we would like very much to have you speak to us about District 2. We always know you have an interesting message.

Mr. Majewski: I am gratified at being missed. I was

about my father's business this morning. I want to commend for your attention a new rising light on the horizon, a man named Stassen.

This democrat was out busy this morning trying to snag a few Taft and Dewey delegates for Stassen in the coming election in Ohio.

(Laughter.)

Mr. Majewski: We are going to have a midwesterner in there that we can be proud of.

I know a couple of my colleagues took me to lunch and said, "You were missed this morning, but, hell, we made a lot of progress."

(Laughter.)

Mr. Majewski: They reported that the only people who talked this morning were Senator Hill and Jacobsen.

Mr. Jacobsen: I didn't say a word.

Mr. Majewski: They said you were quiet. I lost \$10 by getting up here because I bet \$10 that I wasn't going to say a word today.

Mr. Ball: It is going to be worth it, Bernie.

Mr. Majewski: I have nothing to say about District 2 except to say that we are still in the midst of a shortage, as Bob Wilson told you. We think in District 2 that we can take care of our situation by a continuation of the NPC Committee with proper DJ clearance, and we do it on the voluntary

basis, as we have in the past several months.

When I get time I will write up a nice report like District 1, and we will have no cover on it, and we will pass it around to you; but we thought that our minutes spoke for themselves, and in District 2 we are hesitant to make fine reports because I remember one time at Madison, Wisconsin, a fellow working for the Department of Justice presented one of these things and it was hard to explain what he meant in that report.

So our report will consist of the minutes of our meetings only.

In District 2, being the bread-basket of the world, we only ask for a high priority of gasoline supplies to be given to agriculture on the voluntary basis by the companies, the suppliers involved, and that next we give gasoline requirements for mass transportation facilities a high-ranking position, and that later, whatever gasoline and motor fuel is left we distribute as equitably as we can, with due respect to Rankin Peck here; and fourth, that we continue on a very active basis our conservation campaign.

At this time I want to laud the public for its cooperation in response to the conservation plea of the industry and the Federal, state and local authorities. That is going to be in our report because we think the public did it instead of the industry; besides it was the industry's responsibility to

do it.

We then agreed, in our committee, to dissolve, but with the importuning of Mr. Faber of the dealers, and Mr. Peck of the dealers, we appointed a subcommittee -- that is, I did -- and the four of us decided that we wouldn't dissolve District 2; but we would stand by and do our job when occasion arose.

The local committees in the states actually have done the work in District 2. All we have done is sort of advise them in a --

Mr. Jacobsen: A fatherly way?

Mr. Majewski: We were expert advisers. The governors and the industry people in the field did the job. I hope, to everybody's satisfaction, nobody died from lack of heat.

We have had some commendation, which we appreciate very much.

Finally, I want to tell you that District 2 will have some spot shortages. They may be very annoying, and we may be called by Senator Wherry and other people. Incidentally, I told you at the last meeting that he and I are now buddies.

(Laughter.)

Mr. Majewski: He is short of tractor fuel to a great extent in the State of Nebraska, and he, again, likes us, because we are the only people that got the tractor fuel oil.

Mr. Wilson: Bernie, I think it might be interesting to mention that we may hear a great deal about the Nebraska

shortage. One of the troubles is that Nebraska has different specifications than other states on their tax free tractor fuels. At this time that is hard to get on special specifications.

Mr. Majewski: You are dealing with the farmer there. I think we have to make what we call hot tractor fuel and supply them and we will supply it with the local committee appointed by Governor Peterson.

I like to work with them. A democrat gets a good chance to talk with the republican leaders in the several states -- on a high plane.

(Laughter.)

Mr. Majewski: Now, we did one more thing in our district that we feel kind of good about. Bob Wilson led off with his chin before the Oil Heater Institute. Frankly, he told the Oil Heater Institute, who manufacture and sell and install oil burners -- he had the guts to tell them the facts.

I am sorry to say that some of you apparently don't agree with Dr. Wilson because when you make statements in the East and elsewhere -- and I am pointing no fingers because I am in a very amiable, cooperative mood today. You ought to get together with Dr. Wilson.

There isn't enough heating oil in the middle west, and I don't think in the country, to take care of any unprecedented installation, sale and installation, of burners on the same

basis that occurred last year, and I think some of us are a little bit wishy-washy in saying that maybe we will have the supplies.

I don't think you will have them. I think they are going to cause you a headache and the industry a headache for next winter unless you are courageously espousing Bob Wilson's guts.

Of course, he came from the East and we have helped him grow up out there. He has had the courage to go before the businessmen who build oil-consuming equipment on a big basis, a good customer of ours -- too big, as Bob said.

I wish you would all have the courage to go to them as Bob did. Incidentally, and we take a little credit for this, the oil people have appointed a public relations counsel in the person of Mr. Casler of Chicago, who we invited to district 2 meeting last Monday, and with your permission I asked Mr. Casler to come and listen in on how the Council functions in a national way. If he is in the room I would like to present him. Is Mr. Casler here?

Mr. Casler: Yes.

(Applause.)

Mr. Majewski: Mr. Casler is having his eye-teeth out in Chicago, here and elsewhere. I hope the American Petroleum Institute asks him to come into their meeting and I hope Mr. Brown of IPAA will have him come in. Let him get acquainted

with us, get the facts, and let him handle his own group of people about disseminating mis-information about there being an unlimited amount of oil supply.

He has got a lot of guts. He made a fine talk before our committee on Monday. He is wrong in four or five places, of course. But we felt for the first time that you can't disagree with him too violently.

If he gets a chance, he wants a couple of minutes to tell you he is willing to cooperate on behalf of the oil heating institute in the program not of mutual admiration but for the mutual benefit of two great industries, so that the public will not be misled.

Before I sit down I want to talk about a man named Rostov. He is a professor, the book says, of law, and a member of the graduate faculty of economics at Yale University. He has written a book, "A National Policy for the Oil Industry."

Every time a louse grows up he comes from the East. Well, John, that was the only way I could point to those great institutions of learning that breed guys like him and then let him put this in the book.

Now, we have a National Oil Policy Committee. This is a representative body of oil men. It speaks for the industry, and it is listened to. We have an able chairman in the person of Jacobsen. Why don't we answer this fellow as an industry?

Now, the independents in District 2 and the majors, alike,

would like to have this Council, through its committee, undertake to answer the false and misleading statements in Mr. Rostov's book.

I am wondering if this is the right place for me, in time, to present the matter. The fellow's book should be answered.

My fear has always been not of democratic congressmen, but of these republican congressmen who now are reading Mr. Rostov's book and are asking questions about it.

The Chairman: Don't you think it might have a tendency to advertise his book even more, Bernie?

Mr. Majewski: No. I mean, we have gone on that theory in this oil business so long, about being silent when some louse -- and I repeat that -- I have a story about that, but these beautiful ladies kind of cramp my style today. It is a damned good story too. I am about to tell it too when I get rested up a bit.

(Laughter.)

Mr. Majewski: Well, I won't.

This is the time for the oil industry to lash out, and if the guy is right, don't answer him. If he is wrong, let's answer him.

Each and every time one of these people rears his ugly head, we ought to take care of him, and this is the time. I hope you have the courage to get Jacobsen working again instead

of talking.

Thank you.

Mr. Jacobsen: I will start talking.

I don't think the Council can do that. We will have to be requested by Max to do it in the first place. I think it is something the API could do. As a matter of fact, I was going to bring up that subject at the executive committee tonight.

I don't see that the Council can do it. We can only do it if requested to do it by Max.

Mr. Ball: I would be delighted to request it, but I don't believe the agenda committee would pass it.

Mr. Majewski: They might.

Mr. Wilson: There is one gem in it; it is a beautiful gem. He says, in effect, that the oil industry is operating at 90 per cent of capacity because -- and that doesn't mean much -- because the oil industry arbitrarily figures 90 per cent on the basis of operating eight hours a day six days a week.

(Laughter.)

Mr. Ball: Doesn't he also just make the offhand statement that the petroleum refining is simple?

Mr. Wilson: Yes.

Mr. Majewski: The seriousness of it -- and the reason I tied the man up into this short supply situation -- is that

editorial writers for two large and great Chicago newspapers pointed to that and said, "Why don't you operate them around the clock?" I mean the guy is dangerous, and you ought to say something about it, and you ought to say it here.

Whether Max Ball asks you or not you ought to talk about the national oil policy, as it is, and then answer this guy without speaking directly to him.

Mr. B. K. Brown: I would like to supplement, if I may, Mr. Majewski's remarks by saying something that may seem impertinent. I suggest you read it. I commend it to your attention as tough reading, but you are not doing your job as oil men if you don't read it.

Mr. Jacobsen: I submit, it is even worse than you say. The thing is so plausible. If a man reads it who is seriously trying to find out, he will read that, and every citation of court decisions is there, and he says, "This man has it down pat. This is the way it is."

Mr. Marshall: Mr. Chairman, if you want to get excited, I hang my head in shame that it comes out of Yale where I come from too. His ultimate conclusion is that the industry should be a dictatorship and that isn't what he calls it, but that is what it is. It is for the lawyers under the Anti-Trust Division; it is to empower the Anti-Trust Division, not with legislation but a new kind of Federal control, under which the Anti-Trust Division will decide which units in the industry

are too big and how much too big and to use their discretion as to which ones they will dissolve into how many pieces, and those that they don't think are too big or oughtn't to be dissolved are allowed to run free and clear.

If anybody wants to get concerned about Federal control and some way to do it, just read the book.

Mr. Jacobsen: I would only make one more suggestion and I will sit down. I also agree that everybody ought to read it, but for God's sake, borrow a copy from a library.

(Laughter.)

The Chairman: Bernie, let me raise this question with you - and I have given some thought to it because I have run into it with some of the Congressional committees: You think the answer ought to be prepared by the oil industry, itself, or a committee of the oil industry. Don't you think it would be more effective if the reply came from somebody outside the oil industry rather than from a committee of the oil industry?

We are given credit, of course, for having a biased viewpoint. Why not take some eminent man in the country who knows the answer and have him prepare the reply rather than have it come through a committee of the petroleum industry?

I think it would carry far greater weight to have it from some independent authority rather than have it come from some person in the committee.

Mr. B. K. Brown: Mr. Chairman, my opinion is that the man

who writes the rebuttal never gets the attention, no matter how eminent the authority. While I don't think anyone would oppose writing a book to answer him, I think the answer should be by you, Mr. Majewski, and those people called on to make public addresses, and everybody take a poke whenever he can. That is a lot more effective than a book.

Mr. Jacobsen: There is one way to do that. I understand that Congressman Wolverton has sent around a questionnaire to all the larger companies in which he takes a lot of stuff out of Rostow's book and asks questions relating to Rostow's book. It seems to me that in answering these questionnaires that will be a very good chance to hit at him.

Mr. Majewski: You asked me the question. I do have an idea. I went to a Yale fellow that you all know, and Howard and this fellow from Yale are the only two people that I know who are real people, and they were a little tainted when they first came in, you remember.

(Laughter.)

Mr. Majewski: They had ideas. So I talked to the other member for an hour and a half this morning -- by the name of Myers. He could answer that book with another book; but I share Bruce Brown's opinion that that isn't the way to do it. He is attacking this oil industry the way it is being run now, and no one speaks about it.

Now, Mr. Wolverton sent a letter to each of the prominent

people in the oil business -- I guess all of us got it because I did -- about his synthetic bill; and I thought that instead of getting a jumbled-up bunch of views from a lot of us on that particular bill, that that was a good time for the National Petroleum Council, through its national oil policy committee to say something about the synthetic plants, Government financed.

If I remember Jake's committee's comment, they had something to say about the synthetic plants in a general way. I thought that you and Jake's committee could answer Mr. Wolverton and answer Mr. Rostow at the same time. Without pulling any punches, you do it. He is the chairman of the committee.

The Chairman: That is a committee of the AFI

Mr. Jacobsen: It is not of this body. You are all balled up.

Mr. Majewski: No. Your committee was a fine one.

Mr. Jacobsen: That was a war committee. The war is over.

Mr. Majewski: No, it isn't. There is a cold war beating us over the head every day in Washington.

The Chairman: We have no oil committee.

Mr. Majewski: Why couldn't we have one to do that.

The Chairman: We would have to be requested to have one.

Mr. Majewski: Aren't you some day going to have a request

to have an oil policy committee? After we run out of this shortage what are we going to be doing? Nothing.

(Laughter.)

Mr. Majewski: Seriously, why don't you undertake it in the Council? Why put it on the API? I want to ask why you evade the issue. Let's go hit this guy.

Mr. Ball: Bernie, in the early stages of the Oil and Gas Division, before I came in, a request for a permanent policy committee was made, and it was turned down by the agenda committee, and the Council, as not being within the proper framework of the Council as cleared by the Department of Justice.

Mr. Jacobsen: That is correct.

Mr. Majewski: That is a damned shame.

Mr. Wilson: I think API is the logical place for it.

Mr. Jacobsen: Am I not right in saying that Congressman Wolvertson sent out a questionnaire that was based to quite some extent on Rostov's book?

Mr. Wilson: Yes.

Mr. Suman: Yes.

Mr. Jacobsen: Does not the answering of that questionnaire, if you elaborate on it a bit, lend itself to hitting Rostov's book in a good many ways?

Mr. Wilson: It is a good chance and we took it.

Mr. Majewski: Why not have Walter do that in his spare

time?

Mr. Russell Brown: Would it be proper to rise to a point of order and ask what we do with District 2's report on voluntary agreement?

(Laughter.)

Mr. Russell Brown: I move its adoption.

Mr. Wilson: Second.

Mr. Dunnigan: Before we adopt it, I think it is in order to mention one more thing about Bernie's remarks. Usually I am totally in agreement with Bernie.

Mr. Majewski: We were at 2:00 o'clock this morning. What happened to you?

Mr. Dunnigan: That was the result of a very fine dinner. I love him as all midwesterners love each other.

One thing I think I should mention that he mentioned. He mentioned Bob Wilson's guts in pointing out to the oil heater institute the reason why they should curtail a number of oil units and to my mind the word was well chosen. I think it takes a lot of guts to tell any segment of the oil industry how they shall use a barrel of crude oil.

I come from Detroit and I knew of no way to make myself more unpopular in Detroit than to tell the automobile industry to stop making automobiles because we haven't the gasoline to power those cars, because we are putting it into burner oils.

To me that is no more a ridiculous situation than to tell

the oil heater institute that we are going to use this crude oil to power rather than to fuel, or rather than to heat.

Now, there are probably very sound reasons why Bob Wilson has made these statements, but if there are I would like to be enlightened and I am sure some other members of the Council would be, because I know that the great American public is beginning to resent and beginning to resent very deeply the oil industry's presumption to tell them how they shall use a barrel of crude oil.

Mr. Majewski: I don't want to prolong the discussion, but Jimmy has just come back from a seven-week vacation, and he hasn't been reading much. Last night I tried to bring him up to date over a festive board. Apparently I didn't succeed. Those cocktails had that effect on me I am afraid.

If he had read what we have been saying, not as a Council or Council committee, in the last six months and particularly in the eight weeks past, he would know we are not striking at any one industry in particular, certainly not at the automobile people; and certainly not the oil heater manufacturers. All we are saying is a recognition of the fact that the growth of the oil heating equipment is outstripping our ability to supply them, not because we haven't the will or the wherewithall, but because we haven't got the steel. When we get the steel we will be able to take care of a lot more people.

Why have oil burners and get a black eye? We would go

through Michigan and every state in the middle west and we would be in as bad a situation as last winter, unless we continue to tell the people that they are making a mistake.

I would say as an individual man, not as the Council, "You are making a mistake in putting in an oil burner because we can't supply them." In District 2 you can't do it. I am getting to be quite a prophet and kind of proud of myself.

I guessed right a couple of times and a long time ago, but I also have had an opportunity in this work to have the best minds in the industry put figures together and shown even a simple fellow like myself, simple minded, that here are the facts, and we can't supply the oil burners in District 2 too well next year without a new additional oil output, a new oil burner, except for replacement, in spite of the fact that all of the figures show that we will have an 8 per cent increase in production of all oil products this year over last.

We just can't do it, and we are borrowing trouble if anybody in District 2 thinks otherwise. The market is there. If we fail to tell the public about it we are in more trouble.

Mr. Wilson: Mr. Chairman, I am sure, if the gentleman read my report, he would see that I avoided completely what he is accusing me of.

I did not say to give to one and not to another. I said that I hoped the time would never come when the oil industry

chooses between its customers. I simply pointed out that whereas we had an increase of 8 per cent in gasoline we had an increase of more than 20 per cent in heating oil consumption; we couldn't possibly, with the great shortage of steel, take care of such an increase next year. He should know that. All I am asking is that they tell the purchaser the facts and not mislead them about the oil situation.

We were blamed last year for not telling the people the facts. One plea I made to them was don't oversell the facts, don't mislead about the oil industry, and if you saw the booklet they got out, you would realize that one of their booklets in some of their articles did not give a correct picture of the oil situation.

Certainly, we can't tell any one particular customer what they can have. It is fair to say that over the long pull there is no substitute for gasoline for diesel fuel in transportation; over the long pull there is a substitute in heating oils.

If we get in oil a free price market, the heating oil consumer can't go as high in some of that as some of the people bidding against them.

If we work for our own ends, we would say, "Encourage everybody to expand and increase the prices." We are not doing that. We are saying what the limits are. We can't do any more than that and it certainly is a proper thing to give the oil burner people the facts, and I know I have.

The Chairman: Mr. Casler, with the fine recommendation Mr. Majewski has bestowed upon you we would be glad to have you come up here and address the Council. Will you come forward, please?

Mr. Casler: As Mr. Majewski said, I am just cutting my eye teeth on this side of the fence. We in the oil burner industry have only one plea. That is for the facts. We want the facts to go out from us, from you, truthfully.

I am not saying we haven't had the truth to date, but certainly it is colored in the newspapers so that the customers don't know what to believe. They have asked us to make replacements. We are anxious to do it, but to say we can't even make a replacement sale, people will not increase or invest the money in a replacement oil burner today because they are not sure they are going to have oil next winter.

If there is nothing more to be done than to say that we will take care of every customer we had last year, that would be a step in the right direction. At least we could make replacements.

The public is confused. I didn't mean to say this much. We, on our side of the fence, get a little full too. We appreciate the opportunity of being here. What we do want is to get the opportunity to know you people better, for you to know us, and know our problems, and maybe work out a sensible answer to help keep a lot of people in business who are in danger of

going out of business today.

From now on I don't know enough about it. A few weeks more maybe I will.

I thank you for the opportunity of being here.

(Applause.)

Mr. Dunnigan: Mr. Chairman.

The Chairman: Mr. Dunnigan?

Mr. Dunnigan: Bernie is right in that I don't read quite as well today as I have in other days, but I read well enough to have read a statement in the paper by Mr. Holliday no longer ago than a week, in which he advocated just what I said. I didn't try to put the words in Mr. Wilson's mouth. If the gentleman from Indiana didn't say it, he didn't say it; but a gentleman from Ohio said that not more than a week ago.

I say we can't tell the public today how they will use the crude oil. I will tell them the facts. There is a shortage of crude oil because there is a shortage of steel. I won't tell them our refineries are running to capacity because I know better.

I know mine isn't and others in this room, a certain portion in this room, have plants not running at capacity. They are not running to capacity because we haven't the crude to put through it. When we get the crude will supply all the products they want, but not preferentially, not heat against power or power against heat.

Mr. Majewski: One more thing and then I have lost my \$10 anyhow for talking.

Jimmie Dunnigan is right, but we can't control what individuals in this great industry say. We are hopeful that we will all work to the common end without hurting any oil-consuming equipment manufacturer.

We ought to tell them the truth. We are telling it to Mr. Casler; we are telling it to the diesel engine manufacturers; through API committees we are giving them through the marketing committee; we are giving them excellent information. We are receiving back from them some real, honest-to-goodness statistical data that we have never had before from those two great industries about installations in the past, and what they project in their estimates for the future, long-range and short-range.

We are getting this information from them; but, Jim, we can't here tell people what to say. I think many people will heed what you say. I think they will heed what I said and what Bob said about let's put the story over factually and honestly without trying to hurt any of our allied industry friends.

Question on the report.

end Haberer
Skolnick fols.

The Chairman. The question is on the adoption of the report of District II.

All in favor of adopting the report of District II will indicate by saying "Aye".

(There was an affirmative response)

The Chairman. All those opposed to the adoption of the report will signify by saying "No".

(There was no response.)

The Chairman. The report is unanimously adopted.

Mr. Majewski. Thank you for the opportunity of presenting the report, Mr. Chairman.

The Chairman. Gentlemen of the Council, we have with us this afternoon two representatives of the United States Treasury Department, who are here by invitation to speak to us, as representatives of the Petroleum Industry, with reference to the matter of the campaign being conducted by the Treasury to promote the widespread ownership of the United States Savings Bonds and the sale of United States Savings Bonds.

Mr. Markham, who is National Director of the Payroll Savings Division, is here to speak to us briefly on that subject. We are very glad to have the opportunity, Mr. Markham, of having you present to talk about the plan.

Mr. Markham. Thank you, Mr. Chairman.

I would like my initial remarks, at least, to be off the record, Mr. Chairman.

The Chairman. Very well.

(Mr. Markham's preliminary remarks were off the record.)

Mr. Markham. I now want to talk to you about the problem of managing the National Debt.

I think that most of you know that at the close of the War we were left with over a quarter of a trillion dollars of National Debt.

The Secretary of the Treasury sought the advice of a number of groups as to how to handle it. He talked with economists, he talked with bankers, industrialists, and insurance men, and sought the best advice he could find.

There was no general agreement, of course, on all phases of the Treasury Fiscal policy. You know that.

On the question of the National debt, there was unanimous agreement that the debt must be widely spread among the people. The proceeds must be used to retire as much of the bank-held debt as we possibly could.

I know that many of you are not economists, but it takes no economist to see the economic benefit of that, and the economic soundness of the procedure.

We are charged with the responsibility of widely distributing the debt among the rank and file of the people themselves. There are about 382 of us all over the Nation to do it, because our National Director, inspired by a desire for Government economy, voluntarily reduced our force to 382

at the close of the Victory Loan, and reduced our annual budget about 80 per cent.

He did so with the firm conviction that industry in the country would help us to get this job done. He had that conviction because the personal stake that each of you and each of your companies and each of us has in the wise management of this debt.

Mr. Randolph Burgess said recently, that the way in which this thing is handled will determine the future of all of us. It will determine the volume of business. It will determine wages and salaries; it will determine profits. It is a mutual responsibility in which we have a mutual stake.

We are of the conviction that industry can sell industry better than Government can sell industry. We think it merits your consideration on that basis.

At the close of the Victory Loan, we had about 30,000 companies operating the Payroll Savings Plan. About 10,000,000 to 11,000,000 workers were using the plan to buy bonds on the partial payment system. The dollar sales at that time were about \$175,000,000 a month, through the sale of E bonds to the workers of the country.

Now, when we talk about spreading the debt widely among the rank and file of the people, we are necessarily talking about the 22,000,000 workers who are employed as wage earners by companies like yourselves, across the Nation.

For the most part, they are unable to pay cash for their bonds across the counter.

We are going to spread the debt, we think, through the partial payment method of payroll savings, where workers allot a small part of their pay check to be set aside for the purchase of bonds.

We have established a goal, a National goal, which has been approved and recommended by a group of twenty-seven industrialists who met with the Secretary last December, in fact, those men have helped us to build the National Security Campaign which we are now launching.

We want again to get 30,000 companies using payroll savings, and we want again to push participation in the plan up to about 10,000,000 workers, because by doing so we will achieve wide enough distribution to stabilize the economy at a level at which we can continue to go forward.

That is why payroll savings is so important and that is why I am before you today.

I am going to ask your cooperation by doing three things:

I am going to be quite specific.

I would like each of the companies represented here to make sure that the payroll savings plan is available to your employees.

I am going to ask that, during the period of the campaign, you put on a person to person solicitation among your

employees. That is the goal that we are going out on. We are not setting a dollar goal. We are not setting a definite figure of participation.

We dare to do that because two years of peacetime experience have taught us conclusively that if we are going to sell bonds, we have to ask people to buy them.

Today there are literally millions of workers in industry throughout the nation who have not been asked to join the peacetime plan for savings. They used to participate in payroll savings where they worked during the War. You men know better than I do about the migration of workers that took place during the peacetime period following the War. Many of these men have not been asked to sign up again.

We have many examples of person to person solicitation which has been carried on during the last six to eight months, and we know where participation is going to fall if you do that. It will rise to not less than forty per cent and will seldom go above 65 per cent.

We have no desire to sell bonds to people that cannot afford to buy them, but we do know that better than fifty per cent of the people in most companies want to save and will save by buying bonds in this way, if the plan is made available, and if they are asked to sign up.

So I am asking each of the companies represented here to make the plan available to your employees, and to put on

a person to person solicitation to the end that each one of them, on a non-high-pressure basis, is given the opportunity personally to sign an application card.

Secondly, we would like from the Council a resolution of endorsement, which might be used throughout your industry because you men here represent an influence that will be widely felt throughout the petroleum industry of the country.

I failed to tell you that we are working through 32 industry groups. That presents the most orderly approach that we can find to this problem.

This is one of the 32 groups of this and other character that we like to work with on an industry basis.

If you will adopt a resolution of endorsement, that is the second thing that will help.

Thirdly, in order to work out an effective approach, which you men know, and we men do not, to the whole industry, we would approach it very much if the Chair could see fit to appoint a committee of, say, two or three members of the Council, who would sit with us in the Savings Bonds Division, subsequent to this meeting some time, for a few hours, to help us develop for the oil industry a pattern of approach which you feel will most effectively pass through your national trade associations, or some other channels about which you will know, and contribute toward our goal.

I think you should do so if for no other reason than a

purely selfish standpoint , because industry itself has a tremendous stake in this problem with which we are confronted. There are a few by-products. I will mention one of them.

We do not sell the program on this basis, but I think we all recognize the "ism" situation with which we are faced today. You men know better than I do that any worker in any industry today who owns a few hundred dollars worth of Government bonds, is perhaps not only a better citizen, a better voter, more interested in Government and in the affairs of the country, but companies tell us that he is also a better worker, and that he produces more and is absent less and has fewer accidents.

Those are not our theories; they are observations and information that have come to us from companies that are operating this plan.

Most of the oil companies have a plan. We thank you for the cooperation that you have given us and are giving us.

Participation in the oil industry is too low. It is about 25 to 27 per cent on the average. We would like to bring it up to the range of between 40 to 65 per cent. We know that we can do it if you will do the things that we are asking of you.

Thank you very much.

The Chairman. Mr. O'Malley, do you have anything to add to that?

Mr. O'Malley. No, I would rather not take up any more of your time. I believe Mr. Markham has given you the full story.

The Chairman. Thank you very much, Mr. O'Malley.

Mr. O'Malley. Thank you, Mr. Chairman.

Mr. Jacobsen. I do not know that we can tack a resolution dealing with the Council. I think obviously everybody is in favor of the plan.

I took what was said rather to be a recommendation made to the individual companies. If you want to stick to our rules of procedure, we cannot pass a resolution on this subject, as I see it.

The Chairman. I see no objection, Mr. Jacobson, for some kind of a general resolution on motion commending this Government Plan of Payroll Savings. It is not anything that relates to industry problems.

Mr. Jacobsen. It is a technicality.

The Chairman. I would like to see us express ourselves in some way as being entirely anxious to cooperate with the Treasury Department in this matter.

Mr. Jacobsen: Subject to the approval of our legal light, Joe Hill, who is Chairman of the Agenda Committee, I move that we endorse the request made by Mr. Markham.

Mr. Ball. I believe that a more appropriate thing, and one that would fall more closely within our framework, would

be to appoint the committee that Mr. Markham requested be appointed to advise with the Treasury Department. That would be clearly within our framework.

Mr. Jacobsen. Do you ask us to do that?

Mr. Ball. I hereby ask you to do so. I will put that in writing when I get a moment to do so.

Mr. Jacobsen. I believe we are setting a precedent of some kind in the face of organizational procedures, when we deal with an oral request of this nature.

Mr. Baker. We may have this sort of thing arising up from meeting to meeting.

The Chairman. Mr. Baker, what do you suggest. I do not think that we ought to turn our backs to this as a group. We ought to find some way of expressing our willingness to cooperate.

Mr. Baker. I do not have any suggestion, Mr. Chairman.

Mr. Wilson. How would it be to say that if the Agenda Committee approves the written request of Mr. Ball after the adjournment of the Council, the Chairman is authorized to appoint the committee. Would that be satisfactory?

Mr. Ball. I will have a written request completed in a moment.

Mr. Wilson. Why don't we have the API do it tonight?

Mr. Ball. I think it would be just as well to have the API do it.

Mr. Boyd. I think it might be well to just take informal action here than to take no formal action at all. We might just say informally to them tomorrow that we thank them for coming here, and that we think we would be interested in cooperating with them.

The Chairman. Why not take the matter up through the API?

Mr. Boyd. That will be all right. I do not think this body can do it under its charter.

The Chairman. It seemed to me, Bill, that it was a matter related to a Government situation.

If there is no objection, I will say to the gentlemen that this is a matter that should properly come before the API and the IPA and the other trade associations, and I will suggest that they appear before your organizations.

Is that agreeable?

Mr. Hill. I think you rather suggested that, in other words, through our trade associations.

The Chairman. I do not entirely agree that it is outside of our province to express ourselves on a matter of this sort that is not associated with any industry problem.

Mr. Hill. I do not see that it amounts to much. I believe we can pass a resolution.

Mr. Boyd. If you pass a resolution, you will have to appoint a committee.

The Chairman. The resolution need not call for a committee.

The resolution that Mr. Jacobsen has called for is just a perfunctory endorsement. I will pass it on to the API.

I have something here which is more or less of an announcement, gentlemen.

House Committee on Interstate and Foreign Commerce has asked the industry for comments on and criticism of its draft of a bill for furthering the development of the synthetic liquid fuels industry.

To date it has received a few replies. The committee requests that all those who are interested give the committee their opinions as promptly as possible. The opinions might be sent in writing to the committee, or the committee will be glad to arrange a hearing for anyone who would like to express his views in person. I pass that along merely as an announcement that comes from the Chairman of the Interstate and Foreign Commerce Committee.

Now, the Chair recognizes Mr. Ball, who, I believe, has a statement to make.

Mr. Ball. This is not to be the kind of statement I made this morning, nor as long.

We come to the time of the year when those of us in the Government service have to think about plans for the coming fiscal year and about what we can plan on.

I have always made it a point to report to this council periodically as to what we are asking for and why.

The Secretary said this morning - and he has said it to me previously and I know he feels it very earnestly -- that the coming twelve to eighteen months may be the most critical time that the petroleum industry has ever gone through in peacetime.

I do not have to elaborate on his reasons for thinking that. I know we all feel it in the state of the world today.

The fact that it is going to be a critical time to my mind makes the existence of this Council more important than it ever has been.

One of the things that has pleased me over these past few weeks has been the jealousy that the members of the Council have shown that the Council itself be kept active as a Council and that nothing be taken away from it and put somewhere else that the Council can properly do.

I am in complete accord and sympathy with this jealousy for the Council and for its rights and for its functions and these expressions have pleased me very much as we have developed this discussion of voluntary petroleum agreements.

Now, if it is important to have this Council, I think you will agree that it is important that we have an adequate Oil & Gas Division.

I think you know my views on that subject in general,

and you know that I don't think that the Oil & Gas Division should ever be a large organization. I don't think that it should ever be, except for Connolly Hot Oil functions, an operating unit.

I think, also, that it should remain as it is, an agency whose functions are purely advisory and which has no authority over anyone whatever.

We can give advice, we can give counsel, we can furnish information when we are asked for it, but I do not think that we should be in a position to tell anybody to do anything or not to do anything.

Now, within that scope of activities, as I said to you the first time I ever spoke to you, that type of activity requires better men than the exercise of authority, because, if you tell a man what to do if you have authority, you don't always have to be good, when the people have got to do it whether you are good or not.

If the response is based solely on how good your advice is, then that advice has got to be good, or your usefulness is at an end.

What we have tried to do is to assemble a small staff of men, who are competent to handle the problems that come to us. Now, you would have to live with us for a while to know how many problems exist and how fast they come. But remember this, which I have told you many times before -

there are around forty different Government agencies which have something to do with Oil and Gas matters, increasingly through the last year and a half.

Now, those agencies have developed the habit, when any question comes up, - or, that is, many of them have, although not all of them, - I think we will get all of them eventually, but many of them have developed the habit when something comes up that involves an oil problem, of calling us up on the telephone or coming to see us and saying something such as: "Can't you come and see us? We have a problem which we would like your advice on."

Nearly all of those things are things that it is to your interest that they be handled properly, because nearly all of them are things that, in one way or another, affect you. I am not going to give you an enumeration of them, because an enumeration would take me the rest of the afternoon and all of tomorrow.

Remember that in connection with most of these things our name never appears, which is just the way we want it.

Another agency will call up and say: "What is the situation with regard to so-and-so?" or "What do you think we should do in this case?" We advise, maybe just by means of a telephone call.

The next day an announcement comes out in the papers, that that agency has done so and so, and obviously the Oil and

Gas Division is not mentioned there.

Some of these things require a lot of work. For example, we spent a lot of time on the matter of keeping the Illinois River open last year, because it required the work of three different Government Agencies to get funds and equipment to do that job. The industry did most of it, but we had to do the Government end of the project?

It is important to you that we have competent men to do a thing of that sort, because, obviously, the Director can't do it all. It is important that we have competent men who can tackle a situation of that sort, and that we have competent men free to do such work.

You know the part that they took in the tanker chartering business last year when it looked as though we would be suddenly short of a hundred tankers on the first of July. What we did then was to get the industry alert to the dangers of the situation. But we also did quite a lot of work with Congressional committees and with other Government agencies.

At the moment we have just succeeded in getting a discussion - and this will interest you, Mr. Jacobsen - with the Treasury Department on the matter of a proposed change in their regulations, that may seriously affect everybody who is doing oil exploration.

Yesterday we got a meeting worked out with them for early next week in which we will get a chance to discuss with them

this matter before they jump off the deep end on it.

Mr. Jacobsen. Pardon me for interrupting, Mr. Ball, but won't you tell us what it? I believe it may be very interesting.

Mr. Ball. I didn't want to take up too much time on this, but it is just this:

Apparently the Treasury Department, that is, the Internal Revenue Bureau, was just about to adopt a modification of the regulations which would require the capitalization of the entire cost of any geophysical or geological survey against any acreage, no matter how small, within the area covered.

In other words, if you conducted a geophysical survey of an entire county and retained one 40-acre tract, you would have to capitalize that single tract against the entire area.

Mr. Ball. At any rate, we have succeeded in getting a meeting on a friendly basis set up on this thing.

Mr. Jacobsen. That is fine, Mr. Ball, but don't stay on too friendly a basis.

Mr. Ball. We have a meeting arranged with a man who seems to be friendly and receptive.

We are working on another matter with the Federal Communications Commission to get help in obtaining a wave length for location of offshore points.

Now, I do not have to tell you that we have spent a lot of time on export controls. We are the people who consistently

vote for keeping exports of petroleum products down. We also spent a lot of time on export controls on steel.

Mr. Russell Brown doesn't think that we keep them far enough down on that. Our usual standpoint on that is somewhat intermediate. We try to assay the merits of each thing, and we see what is going to buy us the most oil the most quickly. We neither, on the one hand, go along with those who won't export any steel for any purpose, nor, on the other hand, do we go along with those who would throw the gates open and export steel recklessly.

Usually, we are on the lower side of those discussions.

Now, all of those things take a lot of time, and we haven't the men to do the job. We are just passing up opportunities to serve industry and serve the Government because there aren't enough of us to go around. There are six of us at the present time, not counting the supporting clerical staff. There are just six of us on the firing line.

We need, in my opinion, six more. I do not think that we would ever get to any such size that anybody would need to be fearful of us, if there were a dozen of us doing this kind of thing instead of only six.

Just let me give you another case in point on the analysis of this steel report.

That report got to us on the 16th of March for an analysis.

To have had the greatest effect, that should have been gotten up to the Commerce Department in ten days. That analysis was just typed today. Why? Because I didn't have a man that I could put on it, and I had to do it myself, nights and Sundays.

Now, that is the kind of thing we are working against. Remember now, I am talking about our Washington activities only, and not about the administration of the Connolly Hot Oil Act.

Perhaps I will dispose of that in a sentence or two and get that behind us.

During the fiscal year previous to this current fiscal year, we had \$225,000 roughly, for the Connolly Hot Oil Act administration. That was cut to \$175,000 for this year. We think that we have been able to do a reasonable job with that \$175,000.

For the coming year we are asking for the same amount, and no more. We do not think that we can cut it below that and do any kind of a job.

For our Washington activities, we had \$225,000 last year and this year we were cut to \$100,000.

We are asking for this year that we have the same amount we had last year, namely, \$225,000. That will enable us to step these six men, which includes the director, up to about twelve, and to do what I think would be a pretty competent

job.

We asked for a deficiency appropriation which would enable us to take that step-up on the first of February. We had asked for \$65,000 to do that.

When we appeared before the Committee, it was obvious, and, in fact, they said that this bill would not be passed until the first of April.

I then said to them that we couldn't spend \$65,000 to advantage, and that we couldn't get this staff together to spend \$65,000 efficiently between the first of April and the first of July.

I asked them to cut the amount to \$45,000, which, of course, they were both surprised and pleased to have anybody say to them.

When the committee got down to considerations, it was quite obvious that this deficiency bill would not pass until the end of May, or, rather, by the first of May.

Of course, you cannot get people to come in for just a few months. It is difficult enough to get them on any other basis.

I am drifting toward the point of telling the committee that we had better forget that item altogether, and that we cannot make use of it. I do not see any reason for having money appropriated if we cannot use it to advantage.

But for next year we do feel very strongly that we

should have, for the Washington activities, \$225,000, if we are going to do the kind of a job that it is to your interest to have us do.

Whether we will get that amount or not, I don't know. Frankly, whether we get it or not will depend on whether you want it. What we say over on the Hill doesn't count for very much, because we are looked on as merely supplicants, who are coming over there for money to enlarge our own jobs. So we are not listened to any too sympathetically.

I think very definitely that whether we get this \$225,000 from the House Committee, and whether, particularly, we can get that much through the Senate Committee will depend entirely on whether you folks here want it and say so. I am not soliciting any help. I am just telling you the facts.

Now, if we get that money - and we won't know until some time in June, or around the first of July whether we are going to get it or not - but if we get it we are going to need men.

It is very much to the advantage of this industry, particularly if we are going to have a critical period during the next year, as the Secretary thinks, and as I think all of us here feel - it is very much to the interests of the industry that those be competent men.

Now, we have got quite a lot of applications for jobs, but they are not the kind of men that you would want us to

have. I mean that they have not the breadth of experience they ought to have for this work, and they haven't got the knowledge of the oil industry. Most of them are not of the caliber needed for the job.

This has got to be, for a time, a Mexican Army, because every technical man in this organization has got to be able to take a problem, analyze it quickly, see what the essentials of the thing are on which a decision should turn, and then go to any meeting, up to a sub-Cabinet level, and maintain a position with dignity, with force, and with diplomacy.

Now, that is a high type of man, and we just don't know where to turn to get the men.

I do not know of anything that the industry can do more for its own benefit than to see that we get men of that sort, even if it means the giving up for a year or two men that you are developing in your own ranks.

I would like to say to you that I think they will develop faster and faster, in the sense of a broad knowledge of the industry and of industry problems in the Oil and Gas Division than they will in a specialized job in a company position.

I think that all of you who watched the PAW operation thought the men who served in the PAW went back to their companies in better positions and worth more to their companies than if they had stayed with their companies, instead of being with the PAW.

I think that experience will be repeated in the Oil and Gas Division, and I do make a very strong plea to you that if we get some more money, you give us the men we need by lending us the men.

Now, we can't do what was done during the War, when a company could lend us a man and that man would draw his Government salary and the company made up the difference between that and his own salary. We can't do that under present law.

So a man has got to make a personal sacrifice in coming here. The most that we can pay him is somewhat over \$9,000 a year. That will mean for men of that caliber, a sacrifice.

I think that in the man's own interest, he could afford to make the sacrifice, because I think that he will be farther ahead in the long run as a result, and I think his company can well afford to make the sacrifice by letting us have him.

Now, what I have said goes not only for this group of generals that I talk about, this small group of technical men, but it goes also for the Director of the Division.

I made it clear to you at the first meeting, and repeatedly since then, that I cannot afford to stay on this job indefinitely. The time is going to come when I am going to have to draw a mark and say "This is it," whether anybody else is coming in to take my place or not, because, as long

as I stay on the job, and you folks don't get dissatisfied with me, and the Secretary doesn't get dissatisfied with me, I will just be allowed to coast along here forever.

So some of these days I am just going to have to say: "Gentlemen, I will stay here just so long and no longer." That time is not too far distant. I have got the time somewhat fixed in my own mind now.

I urge you as an industry, and I urge you as members of this Council, and urge your Chairman, as Chairman of the Council, to be giving some serious thought to getting your Director for the Oil and Gas Division ready within the coming few months.

The sooner that is done, the better, because I think it would be highly advantageous for him to come in as Associate Director for a little time until he gets the swing of things, and then I can step out.

I have asked your Chairman to get busy on that matter in earnest, because I am in earnest about it, not so much because I want to be, but because circumstances compel me to be. I have stayed four times as long as I agreed to stay when I came, and one of these days I am just going to have to cut the string, that is, I think, my story, Mr. Chairman.

The Chairman. Thank you very much, Mr. Ball.

Mr. Majewski. I don't know whether the applause following Mr. Ball's remarks was because he is leaving or whether

we are applauding because we want him to stay. I was applauding because I want him to stay as long as he can, without any further personal harm to himself.

Max always talks from the shoulder, and I want to speak now because I have to catch a train very shortly.

I do not think that we have any choice in the matter. I want to deal with two things.

First I want to say that when the problem of helping to get the money from this Congress came up last year, this Council wisely selected the Chairman to handle the situation at his discretion.

I now move that the Chairman be entrusted with the same responsibility for the purpose of assisting in getting the proper Congressional committees to appropriate sufficient money to do what Max Ball has outlined.

I now make that as a motion.

Mr. Meece. I second the motion, Mr. Chairman.

The Chairman. You have heard Mr. Majewski's motion.

All those in favor of the motion will signify by saying "Aye".

(There was an affirmative response.)

The Chairman. Those opposed will so signify by saying "No."

(There was no response.)

The Chairman. The motion is unanimously adopted.

Mr. Majewski. Second, this question of manpower is an important one. You can't talk about this thing and do it here. You can only do it through an effective small group.

For example, during the War, when we were confronted with manpower problems, there were some very important men appointed from the industry to a committee headed by Colonel Drake.

The committee helped get some men loose when men were scarce. It helped to get the men into the Government Department to assist.

I would like to suggest another motion at this time, namely, that a committee selected by the Chairman, and not to exceed five men, be appointed from top ranking men in this industry, to canvass the field to see if we can help Max Ball secure proper and fit candidates for these jobs that he has in mind in the Oil and Gas Division.

The Chairman. You don't want to call them candidates, do you?

Mr. Majewski. You know my poor English makes me say what I wanted to say and then to apologize.

I so move.

The Chairman. Mr. Peck, do you want to speak on that motion?

Mr. Peck. I have to leave, but I want to have my vote registered in the affirmative.

The Chairman. Is there a second to Mr. Majewski's last

motion?

Mr. Hill. I second the motion.

The Chairman. You have heard Mr. Majewski's second motion. All those in favor of the motion will indicate by saying "Aye".

(There was an affirmative response.)

The Chairman. All those opposed to the motion will signify by saying "No".

(There was no response.)

The Chairman. The motion is unanimously carried.

Mr. Majewski. I have to leave now, and I want to thank you personally, Mr. Ball, for what you have done for this industry and to commend you for the fine manner with which you have worked with my buddy, Walter Hallanan.

The Chairman. Gentlemen, this brings us to the end of the agenda.

We now are open for the consideration of any new business there may be.

Dr. Wilson. In connection with the status of proposed suggestions for changes from these District Committees on the program, that we were talking about, for volutary petroleum allocations, it would be my own thought that the Krugs Committee is representative enough so that if we were substantially un-animously in favor of some reasonable change, it ought to be adopted and recommended. Of course, that is up to the committee. As a member of the committee, I would certainly op-

pose any change that came through with simply a majority vote, because I think that it would mean that we didn't have the industry behind us.

Now, we have the industry behind that program, and I think that is about the program to stick to unless practically everyone agrees to some change.

That is just my own reaction as a member of the committee.

The Chairman. Before we adjourn, I would like Mr. Jennings, Mr. Jacobsen, Mr. Brazell, Mr. Ashton and Mr. Marsh to remain for a few minutes after the adjournment of thising.

If there is no further business, the Chair is read entertain a motion for adjournment.

Mr. Suman. I move that the meeting be adjourned.

Mr. Blaustein. I second the motion.

The Chairman. You have heard the motion for an adjournment. All in favor of the motion will signify by saying "Aye".

(There was an affirmative response.)

The Chairman. All those opposed to the motion will so signify by saying "No."

(There was no response.)

The Chairman. The meeting is adjourned.

(Whereupon, at 4:30 o'clock p. m. the meeting was closed.)

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